

GOLDEN ARROW RESOURCES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Introduction

The following discussion of the operating results and the financial position of Golden Arrow Resources Corporation (the "Company") which have been prepared on the basis of available information up to April 5, 2011, should be read in conjunction with the annual audited consolidated financial statements and notes thereto of the Company for the years ended December 31, 2010 and 2009. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is no guarantee of future performance as actual results could change based on factors beyond management's control. Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors and Uncertainties 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 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.

Company Overview

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

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company's material mineral property interest is located in the South America. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties.

Principal Properties

Argentina

Net Smelter Royalty with Yamana

In May, 2009 the Company received its first quarterly payment from Yamana Gold Inc. ("Yamana") from the Company's 1% net smelter returns royalty ("NSR") from the initial production at Yamana's Gualcamayo gold mine,

located in San Juan, Argentina. Regular quarterly payments are scheduled to be made on January 31st, April 30th, July 31st and October 31st of each year of the mine life.

For the year ended December 31, 2010, the Company earned \$1,616,065 (USD \$1,568,234) in royalty revenue from Yamana. As at December 31, 2010, \$460,361 (USD \$462,860) (December 31, 2009 –\$540,485 (USD \$516,433)) is included in royalty receivable. For the year ended December 31, 2009, the Company earned \$1,335,714 (USD \$1,205,298) in royalty revenue from Yamana.

Fronterra District, San Juan

Golden Arrow has five 100% owned exploration properties in the Fronterra mining district of San Juan Province where Barrick Gold Corporation's Veladero and Pascua Lama deposits are located. The Company's two most advanced properties are Potrerillos and Rio de las Taguas. A data review and field visit to these properties was carried out in late 2008. No work was carried out during 2009. A surface sampling program was carried out on the Potrerillos 4,000ha property in Q2 2010. The Company commenced a comprehensive exploration program in Q4 2010 that will continue through Q1 2011.

The Company announced on June 6, 2010 the results of its recent exploration programs on Potrerillos that were focused on the central Panorama Zone where only limited prior sampling had been carried out. A total of 103 rock chip samples were collected, of which 14 had values over 1 g/t gold, or 100g/t silver or 1% copper. Grades ranged up to 8.4 g/t gold, 1000 g/t silver and 6.2 % copper. Mineralization is associated with elevated As-Ba-Mn-Mo-Pb-Zn. Results to date suggest the Panorama Zone may represent the upper level of a Veladero-type mineralized system. Golden Arrow announced on November 18, 2010 that it had commenced an exploration program on Potrerillos comprised of geological mapping, expanded geochemical sampling, and IP/resistivity geophysics to delineate targets for drill-testing.

Subsequent to the end of 2010 the Company announced on January 10, 2011 results from 119 rock chip samples from Potrerillos and delineation of three main styles of mineralization including:

- **The Panorama Veins** occur within an area approximately 1km long by 500m wide. Veta Juliet, one of several recently discovered veins, is 3.7m wide where exposed, and has been traced on surface for over 100 meters; a rock chip sample collected across the main outcrop grades 7.96 g/t Au and 665 g/t Ag over 2m.
- **Las Bandas** are a series of very large gold-silver bearing "bands" or veins that have been traced over a strike length of approximately 1km. Outcrop exposures range from 12 to 20m wide and contain significant gold-silver mineralization with select grab samples grading up to 3.07 g/t gold and 441 g/t silver.
- **Copper South** is a series of discrete copper-silver occurrences located in a 2.5km by 1.2km area. Copper grades from selectively collected samples can be exceptionally high; for example a 1m chip returned 17.4% Cu and 38 g/t Ag. The zones are typically 2 to 10 meters wide, by several hundred meters long.

On January 24, 2011 results from initial IP/resistivity lines identifying large resistive anomalies below the Panorama Veins were released and on February 3, 2011 the Company announced it had commenced a minimum 3,000m diamond drilling program on Potrerillos.

Analyses of the samples referred to above were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. The technical information for Potrerillos has been prepared by Bruce Smith, AUSIMM, Golden Arrow's Exploration Manager and a Qualified Person, and has been reviewed by Dr. David A. Terry, P.Geo., director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101.

Mogote, San Juan

On June 3, 2009, the Company announced that it had entered into a binding property transfer agreement to acquire from Panthera Exploration Inc. four Peruvian property concessions and the remaining 51% interest in the 8,300 hectare Mogote copper-gold-silver property not already held by the Company. The terms of the property transfer agreement are detailed under the Peru Property section. This transaction received shareholder approval on July 22, 2009 and regulatory approval July 29, 2009. The Mogote project is strategically-located in the Vicuna District of northern San Juan Province which includes NGEx Resources Inc's Josemaria copper-gold deposit in Argentina and Goldcorp Inc. / New Gold's El Morro gold-copper porphyry in Chile.

Recent re-interpretation of prior exploration results has in Management's view enhanced the potential of the Zona Colorida target located to the south of the Filo Este and Filo Central targets where prior drilling intersected wide intervals of copper-gold-silver mineralization. In order to adequately cover the target, the Company recently applied for additional claims totaling 3,150 hectares on the Chilean side of the international border adjacent to Mogote.

On September 9, 2010 the Company announced that it had entered into an option agreement with Vale Exploracion Argentina, S.A. ("VEASA"), a wholly-owned subsidiary of Vale S.A. ("VALE"), on its Mogote copper-gold-silver porphyry/epithermal project in San Juan Province and its Purulla copper-moly porphyry project in Catamarca Province, Argentina which is described below.

Under the terms of the option agreement Vale can earn an initial 70% interest in the projects by completing USD \$6.8 million in exploration expenditures and making USD \$2.8 million in cash payments to Golden Arrow over 3 years, in addition to making underlying vendor payments of USD \$1.025 million related to the Purulla project. If Vale elects to drop one of the two properties during the option, the overall terms will remain the same with the exception that if Purulla is dropped Vale will no longer be responsible for making the underlying vendor payments. Vale has the option to increase its interest to 85% by funding and delivering a Feasibility Study within a further 3 year period. Subsequently Vale will have the option for a further 2 years to purchase Golden Arrow's remaining 15% interest in the project for fair market value. Golden Arrow will retain a 1.5% Net Smelter Royalty (NSR) of which Vale will have the option to purchase 0.5% for USD \$7.0 million. Vale will be the operator during the term of the option. The exploration programs will be decided upon by a management committee comprised of one representative from each company. The option agreement includes a firm commitment by Vale to complete USD \$800,000 in exploration expenditures and make USD \$125,000 in vendor payments during the first year.

On December 15, 2010 the Company announced that Vale informed it that an exploration program commenced in November 2010 and will carry on until approximately May 2011. The scheduled work will include an evaluation of geological mapping carried out to date on the project, mapping of areas not currently mapped and detailed mapping of primary zones of interest, expanded surface geochemical sampling, bulldozer trenching and road construction, ground magnetic and IP geophysical surveying of target areas and potentially 1,200-1,500m of diamond drilling in 3-5 holes prior to the end of the Andean exploration season.

Purulla Project, Catamarca

On November 6, 2009, the Company announced it entered into an option agreement with a private Argentinean claim owner to earn an undivided 100% interest in the Purulla Porphyry Copper-Molybdenum (Cu-Mo) Project in Catamarca Province, Argentina. The Purulla Project includes two licenses totaling 5,000ha.

The agreement requires the Company to make payment of USD \$100,000 on signing (paid) and further payments totaling USD \$1,025,000 over the next three years to acquire 100% of the properties as follows:

Option Payment US \$	Date
125,000	October 20, 2010 (paid)
200,000	October 20, 2011
700,000	October 20, 2012
1,025,000	

The Purulla Cu-Mo porphyry property is located within a prominent NW-SE trending structural corridor along which several large Miocene-aged copper porphyries occur in NW Argentina and Chile. The project covers a 1,000m by 300m zone of leached quartz-iron oxide stockwork with intense argillic alteration and anomalous Mo-Cu within a broader zone of alteration. This alteration zonation, along with IP chargeability anomalies identified at depth, are consistent with the presence of a porphyry Cu-Mo system with potential for a significant supergene-enriched Cu zone at depth. The property is drill-ready with permits and targets for a 2011 drill program. As discussed above, the Company has recently entered into an option agreement on the property with Vale who plans to commence work on the project subsequent completion of work on the Mogote project in Q2 2011.

Varitas, La Rioja

The Company announced on October 6, 2010 its prospecting team had discovered a new high-grade polymetallic (gold-silver-copper-lead-zinc) structurally-controlled vein/stockwork target named Varitas in southern La Rioja

Province, Argentina, 65km north-northwest of Yamana Gold Inc.'s 3.51 million ounce Gualcamayo gold mine. A 4,900 hectare concession was staked to cover the target.

From an initial batch of 57 reconnaissance rock chip samples collected from several locations along 4km of strike from mineralized structures, the 18 most mineralized samples averaged 4.40 g/t Au, 183 g/t Ag, 0.22% Cu, 3.46% Pb and 1.82% Zn. The highest reported grades were 9.92 g/t Au, 1,575 g/t Ag, 1% Cu, 22% Pb and 18% Zn. Further prospecting and sampling is planned for the property in 2011.

Analyses of the samples from Varitas were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. The technical information contained in this release has been prepared by Bruce Smith, AUSIMM, Golden Arrow's Exploration Manager and a Qualified Person, and has been reviewed by Dr. David A. Terry, P.Geo., director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101.

Pescado Gold Project, San Juan

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

In 2008, the Company negotiated with Barrick Gold Exploration through its subsidiary Barrick Exploraciones Argentina S.A. ("BEASA") to provide a right of way to access water from Golden Arrow's Rio de las Taguas property. In exchange for providing access to water for BEASA's Pascua Lama gold project, Golden Arrow acquired from BEASA 100% of the 1,592ha Aspero 1 claim. This claim is strategically important for Golden Arrow because it is contiguous to the Company's 100% owned Pescado Gold Project which now totals 19,194ha.

The northern boundary of the Pescado Gold Project is 10km south of the main gold zone on the Gualcamayo deposit in a similar geological and structural setting. It is between 1,500m and 3,000m elevation and is accessible for year-round exploration. To date the Pescado Gold Project properties have all had systematic silt sampling, follow-up soil grids and rock sampling surveys carried out, with the exception of Durazno which has had only preliminary silt and rock sampling completed. In total 806 rock samples, 383 stream sediment samples and 479 soil samples have been collected on the project. Highlights from rock chip sampling include: 1m of 17.59 g/t gold; 1m of 10.75 g/t gold and 1m of 6.68 g/t Au (Pescado I and II); 2m of 1.27 g/t gold; 2m of 3.46 g/t gold and 2m of 3.15 g/t gold (Yanso); 2m of 0.13 g/t gold, 10.2 g/t silver, >1% copper, 3,535 ppm lead and 2,719 ppm zinc (Durazno).

A helicopter-borne aeromagnetic survey was conducted on the Pescado Gold Project in 2008. The survey was flown by New Sense Geophysics Limited and comprised 1,870 line kilometres covering the entire 18,000ha property with 200m spaced lines.

No work was carried out on the Pescado Gold Project during the twelve month period ending December 31, 2009. The Company is currently seeking joint venture partners to fund continued exploration of the project and during the year ended December 31, 2010, no significant expenditures were incurred.

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

Neuquen Province

In 2007, the Company staked 3 catedos totaling 29,877 hectares in Neuquen Province. Only preliminary work has been carried out on these properties.

The Company's Argentine-based exploration team is currently conducting focused 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. In addition the team is evaluating a number of advanced-stage projects in Argentina, as well as other Latin American countries. The Company will continue to lever its exploration expenditures through joint-venturing projects with high quality partners.

Peru and Colombia

On January 27, 2010, the Company completed the spinout of its Peruvian and Colombian properties by way of a statutory plan of arrangement (the "Arrangement"), originally announced in the Company's news release dated November 25, 2009. The Company, in exchange for 3,564,629 common shares and 1,921,800 warrants of Golden Alliance Resources Corp., paid \$930,000 and spun-out its Peruvian and Colombian mineral property interests with a carrying value of \$1,380,483. The shares and warrants were distributed to the Company's shareholders and warrant holders.

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,		
	2010 \$	2009 \$	2008 \$
Royalty income	1,616,065	1,335,714 ⁽¹⁾	-
Net loss for the year	(1,661,273) ⁽⁶⁾	(2,501,406) ⁽²⁾	(4,824,149) ⁽³⁾
Loss per share – basic and diluted	(0.04)	(0.09)	(0.31)
Total Assets	5,937,873	5,348,977 ⁽⁴⁾	3,626,344 ⁽⁵⁾

- (1) the Company received its first quarterly payment from Yamana Gold Inc. ("Yamana") from the Company's 1% net smelter returns royalty ("NSR") from the initial production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina
- (2) includes \$1,335,714 in royalty income not earned in prior year and decreased exploration of \$1,855,223.
- (3) includes write-down of marketable securities of \$866,692 not present in prior year.
- (4) increase over prior year is primarily a result of cash acquired to from issuance of capital stock to maintain and further advance exploration on projects in South America and for general working capital.
- (5) decrease in total assets due to decreased short term investments and fewer equity financings performed when compared to prior year.
- (6) includes \$1,616,065 in royalty income, an increase over prior year and decreased exploration of \$1,530,864.

Results of Operations – For the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

Other Income (Expense)

During the year ended December 31, 2010, other income increased by \$664,286, to \$1,721,654 compared to \$1,057,368 for the year ended December 31, 2009. The increase in other income is largely due to:

- An increase in royalty income of \$280,351 to \$1,616,065 for the year ended December 31, 2010 compared to \$1,335,714 for the year ended December 31, 2009. Receipt of the 1% net smelter returns royalty commenced in the prior year when Yamana began mill commissioning in April 2009. Royalty income for 2010 represents the net smelter return on a full year of production compared to a partial year of production in 2009 during which Yamana was still in the commissioning phase.
- A decrease in foreign exchange loss of \$332,297. Foreign exchange gain was \$99,261 for the year ended December 31, 2010 compared to a foreign exchange loss of \$233,036 for the year ended December 31, 2009. The decrease is due to the devaluation of the Argentinean Peso against the Canadian dollar during the year ended December 31, 2010 compared to the year ended December 31, 2009 while different amounts of funds were held in these respective currencies during these periods.
- A write-down of mineral properties of \$Nil for the year ended December 31, 2010 compared to \$341,630 for the year ended December 31, 2009.

These increases were partially offset by:

- An expense recovery of \$Nil for the year ended December 31, 2010 compared to \$255,000 for the year ended December 31, 2009.

Expenses

During the year ended December 31, 2010, expenses decreased by \$268,767, to \$3,409,276 compared to \$3,678,043 for the year ended December 31, 2009. The decrease in expenses is largely due to:

- A decrease of \$324,359 in exploration. Exploration totaled \$1,530,864 for the year ended December 31, 2010 compared to \$1,855,223 for the year ended December 31, 2009. The Company had fewer properties with active exploration projects during the current year compared to the prior year. During 2009, drilling occurred on the Poncha Argentinean project. This project was subsequently written off in 2009, with no exploration activities undertaken for that project during 2010. In addition, Peruvian and Colombia mineral property interests were spun out on January 27, 2010 but were available for exploration during the entire year ended December 31, 2009.
- An overall decrease of \$148,138 in salaries and employee benefits and administration and management services. Salaries and employee benefits and administration and management services totaled \$596,898 for the year ended December 31, 2010 compared to \$745,036 for the year ended December 31, 2009. A lower allocation of costs was used for salaries and employee benefits and administration and management services due to the spinout of Peruvian and Colombian assets. See discussion below in "Related Party Transactions".
- A decrease of \$116,958 in professional fees. Professional consulting work surrounding the spin out of Peruvian and Colombian assets into Golden Alliance Resources Corp. was undertaken during the three months ended December 31, 2009. This work was completed in the early part of 2010 and therefore no such fees were incurred during the three months ended December 31, 2010.

The decrease was partially offset by:

- An increase of \$295,879 in stock-based compensation. Stock-based compensation was \$561,177 for the year ended December 31, 2010 compared to \$265,298 for the year ended December 31, 2009. More stock options were granted during the year ended December 31, 2010 as compared to the prior year.

Income tax recovery for the year ended December 31, 2010 was \$26,349 compared to \$119,269 for year ended December 31, 2009. Fewer warrants with a smaller tax cost base expired during the year ended December 31, 2010 compared to the year ended December 31, 2009.

The net loss for the year ended December 31, 2010 was \$1,661,273 or \$0.04 per basic and diluted share compared to a net loss of \$2,501,406 or \$0.09 per basic and diluted share for the year ended December 31, 2009.

Cash Flow

Operating Activities

Cash outflow from operating activities was \$610,032 for the year ended December 31, 2010 compared to cash outflow of \$2,960,450 for the year ended December 31, 2009. Receipt of a higher royalty income amount, lower exploration costs, and changes in non-cash working capital balances during the year ended December 31, 2010 compared to the year ended December 31, 2009 contributed to a lower cash outflow.

Investing Activities

Cash outflow from investing activities was \$2,183,138 for the year ended December 31, 2010 compared to \$835,831 for the year ended December 31, 2009. The Company transferred \$930,000 to Golden Alliance Resources Corp. as a result of the spinout of Peruvian and Colombian mineral property interests during the year ended December 31, 2010 compared to \$Nil for the year ended December 31, 2009. The Company purchased \$491,694 in marketable securities during the year ended December 31, 2010 compared to \$Nil for the year ended December 31, 2009. The Company purchased short term investments of \$2,512,298 and redeemed short term investments of \$1,875,000 during the year ended December 31, 2010 compared to \$1,125,000 and \$650,000, respectively, during the year ended December 31, 2009. Capital assets totaling \$74,826 were acquired during the year ended December 31, 2010

compared to \$Nil for the year ended December 31, 2009. The Company incurred \$49,320 for expenditures on mineral property interests for the year ended December 31, 2010 compared to \$567,933 for expenditures on mineral property interests for the year ended December 31, 2009. Less staking and acquisition costs were incurred during the year ended December 31, 2010 compared to the year ended December 31, 2009.

Financing Activities

Proceeds from the issuance of common shares were \$1,624,400 for the year ended December 31, 2010 compared to \$4,339,350 for the year ended December 31, 2009. Proceeds from the exercise of warrants were \$2,339,975 for the year ended December 31, 2010 compared to \$Nil for the year ended December 31, 2009 due to the imminent expiry of a large block of in-the-money warrants in October 2010. This was partially offset by share issue costs of \$42,000 for the year ended December 31, 2010 compared to \$285,215 for the year ended December 31, 2009.

Results of Operations – For the Three Months Ended December 31, 2010 Compared to the Three Months Ended December 31, 2009

Other Income (Expense)

During the three months ended December 31, 2010, other income increased by \$157,602 to \$579,207 compared to \$421,605 for the three months ended December 31, 2009. The increase in other income is largely due to:

- A write-down of mineral properties of \$Nil for the three months ended December 31, 2010 compared to \$331,235 for the three months ended December 31, 2009.
- A decrease in royalty income of \$94,928 to \$471,389 for the three months ended December 31, 2010 compared to \$566,317 for the three months ended December 31, 2009.
- A decrease in foreign exchange loss of \$174,557. Foreign exchange gain was \$103,291 for the three months ended December 31, 2010 compared to a foreign exchange loss of \$71,266 for the three months ended December 31, 2009. The decrease is due to the devaluation of the Argentinean Peso against the Canadian dollar during the three months ended December 31, 2010 compared to the three months ended December 31, 2009 while different amounts of funds were held in these respective currencies during these periods.

These increases were partially offset by:

- An expense recovery of \$Nil for the three months ended December 31, 2010 compared to \$255,000 for the three months ended December 31, 2009.

Expenses

During the three months ended December 31, 2010, expenses increased by \$807,369 to \$1,653,111 compared to \$845,742 for the three months ended December 31, 2009. The increase in expenses is largely due to:

- An increase of \$506,727 in stock-based compensation. Stock-based compensation was \$506,727 for the three months ended December 31, 2010 compared to \$Nil for the three months ended December 31, 2009. 1,905,000 stock options were granted during the three months ended December 31, 2010 compared to no stock option grants during the three months ended December 31, 2009.
- An increase of \$582,027 in exploration. Exploration totaled \$782,282 for the three months ended December 31, 2010 compared to \$200,255 for the three months ended December 31, 2009. During the three months ended December 31, 2010, the Company undertook new exploration activities including the Potrerillos project whereas, during the three months ended December 31, 2009, exploration work on the Poncha project was discontinued.

The increase was partially offset by the following:

An overall decrease of \$263,497 in salaries and employee benefits and administration and management services. Salaries and employee benefits and administration and management services totaled \$137,465 for the three months ended December 31, 2010 compared to \$400,962 for the three months ended December 31, 2009 due to lower

allocation of costs was used for salaries and employee benefits and administration and management services related to the spinout of Peruvian and Colombian assets.

Income tax recovery for the three months ended December 31, 2010 was \$26,349 compared to \$119,269 for the three months ended December 31, 2009. Fewer warrants with a smaller tax cost base expired during the three months ended December 31, 2010 compared to the three month ended December 31, 2009.

The net loss for the three months ended December 31, 2010 was \$1,047,555 or \$0.02 per basic and diluted share compared to a net loss of \$304,868 or \$0.01 per basic and diluted share for the three months ended December 31, 2009.

Cash Flow

Operating Activities

Cash outflow from operating activities was \$513,338 for the three months ended December 31, 2010 compared to \$649,276 for the three months ended December 31, 2009. The decrease was largely due to changes in non-cash working capital balances as well as a lower operating loss during the three months ended December 31, 2010 compared to the three months ended December 31, 2009.

Investing Activities

Cash outflow from investing activities was \$2,295,028 for the three months ended December 31, 2010 compared to \$101,717 for the three months ended December 31, 2009. The majority of the cash outflow for the three months ended December 31, 2010 was related to purchases of short term investments of \$2,512,298 and a redemption of \$750,000 and marketable securities of \$491,694 compared to redemption of \$150,000 in short term investments during the three months ended December 31, 2009.

Financing Activities

Proceeds from the issuance of common shares were \$1,400,000 for the three months ended December 31, 2010 compared to \$625,000 for the three months ended December 31, 2009. Proceeds from the exercise of warrants were \$2,303,550 for the three months ended December 31, 2010 compared to \$Nil for the three months ended December 31, 2009 due to the imminent expiry of a large block of in-the-money warrants in October 2010. This was partially offset by share issue costs of \$42,000 for the three months ended December 31, 2010 compared to \$Nil for the three months ended December 31, 2009.

Balance Sheet

At December 31, 2010, the Company had total assets of \$5,937,873 compared with \$5,348,977 in total assets at December 31, 2009. The increase is related to an increase in cash, short term investments and marketable securities of \$2,280,516 partially offset by a decrease in mineral properties of \$1,331,163 mainly due to the transfer of mineral property interests to Golden Alliance and a reduction in prepaid expenses of \$250,098. Working capital at December 31, 2010 was \$4,381,480 compared to working capital of \$2,653,626 at December 31, 2009, largely due to the increase in cash, short term investments and marketable securities.

Selected Quarterly Financial Information

	2010				2009			
	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$
Revenue	471,389	453,444	317,573	373,659	566,317	376,682	223,340	169,375
Net Earnings Income (Loss)	(1,047,555)	(156,608)	(279,286)	(177,824)	(304,868)	(278,212)	(1,444,679)	(473,647)
Net Loss per Common Share Basic and Diluted	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)	(0.02)

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$18,571,905 at December 31, 2010 (December 31, 2009 - \$21,500,482) and shareholders' equity of \$5,682,425 at December 31, 2010 (December 31, 2009 - \$5,172,960). In addition, the Company had working capital of \$4,381,480 at December 31, 2010 (December 31, 2009 - \$2,653,626). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

As the Company is an exploration stage company, revenues have been limited to interest earned on cash held with the Company's financial institutions and royalty revenue from Yamana. For the year ended December 31, 2010, the Company recorded interest income of \$6,328 compared to \$20,610 for the year ended December 31, 2009. The Company earned royalty revenue from its NSR on Yamana's Gualcamayo Gold Project totaling \$1,616,065 for the year ended December 31, 2010 compared to \$1,335,714 for the year ended December 31, 2009.

The Company has financed its operations through the sale of its equity securities. During the year ended December 31, 2009:

- On January 9, 2009, the Company closed a non-brokered private placement financing of 5,189,000 units at a price of \$0.15 per unit, for gross proceeds of \$778,350. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share, exercisable at a price of \$0.25 expiring January 9, 2011. Aggregate finders' fee of \$38,682 was paid in cash to an arm's length party on a portion of the financing.
- On April 29, 2009, the Company closed a non-brokered private placement financing of 9,054,000 units at a price of \$0.25 per unit, for gross proceeds of \$2,263,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share, exercisable at a price of \$0.40 expiring October 17, 2010. Aggregate finders' fee of \$167,234 was paid in cash to an arm's length party on a portion of the financing.
- On July 30, 2009, the Company closed a non-brokered private placement financing of 5,115,000 units at a price of \$0.25 per unit for gross proceeds of \$1,278,750. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share, exercisable at a price of \$0.40 expiring January 30, 2011. Aggregate finders' fee of \$79,300 was paid in cash to an arm's length party on a portion of the financing.

During the year ended December 31, 2010:

- On January 7, 2010, the Company closed a non-brokered private placement financing of 680,000 common shares at a price of \$0.33 per share, for gross proceeds to the Company of \$224,400.
- On November 3, 2010, the Company closed a non-brokered private placement financing of 4,000,000 common shares at a price of \$0.35 per share, for gross proceeds to the Company of \$1,400,000. A finder's fee of \$42,000 was paid in cash to an arm's length party on a portion of the financing.
- 6,643,000 warrants were exercised for gross proceeds of \$2,339,975.

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. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

Commitments

	1 Year \$	2 Years \$	3 Years \$	4-5 Years \$	More than 5 Years \$
Management Services Agreement	600,000	600,000	-	-	-
Consulting fees	4,500	-	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is \$50,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Capital Stock

At December 31, 2010, the Company had unlimited authorized common shares without par value. As at December 31, 2010, an aggregate of 46,224,655 common shares were issued and outstanding. As at April 5, 2011, 55,663,655 common shares were issued and outstanding.

	Number of Common Shares	Amount of Common Shares \$	Contributed Surplus \$	Warrants \$	Accumulated Other Comprehensive Income \$	Retained Earnings (Accumulated Deficit) \$
Balance as at December 31, 2008	15,468,655	9,144,655	12,510,396	795,128	-	(18,999,076)
Private placement	19,358,000	3,201,816	-	1,118,784	-	-
Share issue costs	-	(212,918)	-	-	-	-
Warrant issue costs	-	-	-	(72,297)	-	-
Warrants exercised	75,000	22,055	-	(3,305)	-	-
Expiration of warrants	-	-	795,128	(795,128)	-	-
Stock-based compensation	-	-	265,298	-	-	-
Capital tax on expired warrants	-	-	(119,269)	-	-	-
Net unrealized gain on available-for-sale marketable securities	-	-	-	-	23,099	-
Net loss	-	-	-	-	-	(2,501,406)
Balance as at December 31, 2009	34,901,655	12,155,608	13,451,553	1,043,182	23,099	(21,500,482)
Private placement	4,680,000	1,624,400	-	-	-	-
Share issue costs	-	(42,000)	-	-	-	-
Warrants exercised	6,643,000	2,660,757	-	(320,782)	-	-
Warrants expired	-	-	163,944	(163,944)	-	-
Stock-based compensation	-	-	561,177	-	-	-
Dividend of Peruvian and Colombian properties into Golden Alliance	-	(6,796,427)	-	(103,906)	-	4,589,850
Capital tax on expired warrants	-	-	(26,349)	-	-	-
Unrealized gain (loss) on available-for-sale marketable securities	-	-	-	-	24,018	-
Net loss	-	-	-	-	-	(1,661,273)
Balance as at December 31, 2010	46,224,655	9,602,338	14,150,325	454,550	47,117	(18,571,905)

The Company had no warrants outstanding as at April 5, 2011.

The following summarizes information about the stock options outstanding and exercisable as at April 5, 2011:

Number	Exercise Price \$	Expiry Date
75,000	0.80	March 15, 2012
588,000	1.00	September 10, 2012
1,590,000	0.35	May 7, 2014
100,000	0.36	March 31, 2015
150,000	0.36	April 22, 2015
960,000	0.35	October 1, 2015
75,000	0.38	October 29, 2015
870,000	0.40	November 4, 2015
4,408,000		

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party Transactions

- (a) On March 31, 2010, the Company and Blue Sky Uranium Corp. (“Blue Sky”) collectively entered into a sale agreement with an officer and director of the Company to sell their shares held in Grosso Group Management Ltd., (“Grosso Group”) for proceeds of \$1. On April 1, 2010, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is \$50,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expires on December 31, 2012. The Agreement contains termination and early termination fees in the event the services are terminated by the Company.

The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of \$750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000.

During the year ended December 31, 2010, the Company incurred fees of \$602,772 (2009 - \$664,357). A total of \$260,100 (2009 - \$687,171) was paid in monthly payments and \$Nil is included in amounts receivable (2009 - \$22,814). An officer and a director’s salary comprise a portion of the fee. In addition, included in deposits is a \$50,000 (2009 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital. The Company was allocated an expense recovery of \$Nil (2009 - \$255,000) and \$Nil (2009 - \$255,000) is included in prepaid expenses.

- (b) During the year ended December 31, 2010, the Company incurred \$48,151 (2009 - \$9,375) for consulting services provided by a company owned by a director of the Company.
- (c) During the year ended December 31, 2010, the Company incurred \$79,000 (2009 - \$252,113) for geological consulting services, provided by a company owned by an officer and director of the Company.

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.

Subsequent Events

8,869,000 warrants with exercise prices of \$0.225 to \$0.36 were exercised for proceeds of \$2,556,450 and 2,000 warrants with an exercise price of \$0.225 expired.

170,000 options with an exercise price of \$0.35 were exercised for proceeds of \$59,500 and 10,000 options with an exercise price of \$1.00 expired.

Critical Accounting Estimates and Recent Accounting Pronouncements

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. Actual results may differ from these 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 year ended December 31, 2010. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Stock-based Compensation

Stock-based compensation is accounted for at fair value as determined by using the Black-Scholes option pricing model and taking into account the terms and conditions upon which options were granted. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of stock-based compensation is charged to expense over the period that it is earned, with offsetting amounts to contributed surplus. If the stock-based compensation is for past services, it is expensed immediately. If the stock-based compensation is forfeited, no amounts are charged to expense. If stock options are exercised then the fair value of the options is reclassified from contributed surplus to share capital.

Mineral Property Interests

Exploration expenditures are charged to earnings as they are incurred until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments relating to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

The Company accounts for foreign value added taxes paid as expenses when incurred. The recovery of these taxes may commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery of exploration expenses at that time.

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.

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, 2010 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. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment is identified, the carrying value of the property interest is written down to its estimated fair value.

Future Accounting Standards

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The adoption of Sections 1601 and 1602 is not expected to have a material impact on the Company's consolidated financial statements. Whether the Company will be materially affected by the new recommendations of IFRS 3 (Section 1582) will depend on the specific facts of business combinations, if any, occurring subsequent to January 1, 2011.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that publicly accountable enterprises will be required to transition from Canadian GAAP to IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. This includes a requirement to present comparative financial information in accordance with IFRS for 2010. Accordingly, our first interim consolidated financial statements will be presented in accordance with IFRS for the three months ending June 30, 2011 with 2010 comparative results.

The Company has completed a review of the Canadian equivalents to IFRS. No areas have been identified that may have an impact on the financial statements of the Company. As at December 31, 2010 the Company has adopted its

IFRS changeover plan and management has completed an IFRS diagnostic and has quantified and analyzed differences between Canadian GAAP and IFRS. The remaining phases: development and implementation, and post-implementation and review will be completed during the first quarter of 2011. We note that Canadian GAAP and IFRS may be amended prior to adoption.

Management has considered the differences between Canadian GAAP and IFRS and has identified that there are no material differences for the majority of items appearing in the Company's balance sheet and income statement from what has been recorded under Canadian GAAP.

The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

Certain relevant accounting differences between Canadian GAAP and IFRS and the possible impacts on the consolidated financial statements of the Company are described below:

Financial Statement Component	IFRS	Canadian GAAP	Possible Impact
Exploration Expenditures and Development Costs	<p>An entity shall determine a policy specifying which expenditures are recognized as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources.</p> <p>Exploration expenditures shall be recognized at cost. The Company can elect to measure exploration and evaluation assets using either cost model or the revaluation model.</p>	<p>Exploration costs related to mining properties may initially be capitalized if an enterprise considers that such costs have the characteristics of property, plant and equipment and that capitalization is appropriate to its circumstances.</p> <p>Exploration and evaluation assets are measured at cost. Canadian GAAP does not allow for the revaluation of exploration and evaluation assets other than during a business combination.</p>	No impact. Continue with existing policy under IFRS 6.
Foreign Currency Translation	<p>Defines functional currency as the currency of the primary economic environment in which the entity operates. Foreign currency translation methods are based on the functional currency concept.</p>	<p>Does not directly define functional currency. Foreign currency translation is based on the concept of integrated and self-sustaining foreign operations.</p>	No impact expected at this time.
Impairment of Non-Current Assets	<p>Assess at each reporting date whether there is any indication that an asset (other than goodwill and intangible assets with indefinite lives) may be impaired.</p> <p>Impairment loss recognition is a one-step process based on discounted cash flows. Impairment losses are recognized when the carrying value exceeds the recoverable amount, which is the higher of (a) value in use and (b) fair value less costs to sell.</p> <p>An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.</p>	<p>A long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.</p> <p>Impairment testing is based on a two-step test. Once an impairment loss is identified on an undiscounted cash flow basis (step 1), the impairment loss is measured as the amount by which the carrying value exceeds fair value (step 2).</p> <p>An impairment loss relating to long-lived assets should not be reversed even if the fair value subsequently increases</p>	No impact expected at this time.

Financial Statement Component	IFRS	Canadian GAAP	Possible Impact
Share-Based Payments	<p>For graded-vesting features, IFRS requires each installment to be treated as a separate share option grant, because each installment has a different vesting period, and hence the fair value of each installment will differ.</p> <p>Requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.</p>	<p>Allows the option to use the straight-line method or the attribution method to account for graded-vesting features.</p> <p>Permits companies to either estimate the forfeitures at time of grant date or record the entire expense as if all its stock option grants vest and then record forfeitures as they occur</p>	No impact expected at this time.

Financial Instruments

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Fair Values

The Company's financial instruments consist of cash, short-term investments, marketable securities, receivables, and accounts payable. The fair value of cash, short term investments, receivables and accounts payable approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The Company's marketable securities are classified as available for sale and fair value is determined using bid prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income.

The following table outlines the Corporation's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2010 the Company's financial instruments measured at fair value are as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Cash	1,759,200	-	-	1,759,200
Short-term investments	1,762,833	-	-	1,762,833
Marketable securities	554,980	-	-	554,980

As at December 31, 2009 the Company's financial instruments measured at fair value are as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Cash	629,995	-	-	629,995
Short-term investments	1,127,234	-	-	1,127,234
Marketable securities	39,268	-	-	39,268

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. As a portion of its receivables are with the governments of Canada in the form of sales tax, the credit risk is minimal. The majority of the remaining receivables are in the form of royalty receivable held with Yamana Gold Inc (“Yamana”). Therefore, the Company is not exposed to significant credit risk and overall the Company’s credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due (See Note 1 to the Consolidated Financial Statements). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) Currency risk

Financial instruments that impact the Company’s net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, amounts receivable and accounts payable. The sensitivity of the Company’s net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar and Argentine Pesos is summarized in the table below:

	December 31, 2010			
	10% Increase in the Argentine Peso \$	10% Decrease in the Argentine Peso \$	10% Increase in the US Dollar \$	10% Decrease in the US Dollar \$
Increase (decrease) in net earnings	23,853	(23,853)	65,521	(65,521)
Increase (decrease) in other comprehensive (loss) income	-	-	-	-
Comprehensive (loss) income	23,853	(23,853)	65,521	(65,521)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest, short-term investments and marketable securities are redeemable at any time without penalty. The fair value of cash, short-term investments and marketable securities approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

The Company’s objectives of capital management are intended to safeguard the entity's ability to support the Company’s normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, contributed surplus and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and may require doing so again in the future.

Risk Factors and Uncertainties

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. A number of the risks and uncertainties are discussed below:

History of losses: The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2010 and 2009. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

Joint ventures and other partnerships: The Company may seek joint venture partners to provide funding for further work on any or all of its other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements, and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

Unexpected delays: The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

Potential conflicts of interest: Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

Competition with larger, better capitalized competitors: The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

The Company does not intend to pay dividends: The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell common shares in the secondary market.

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.

Price risk: The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly gold. The prices of these metals, especially gold, greatly affect the value of the Company and the potential value of its property 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 the Argentina and is currently being reviewed worldwide. 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 potential projects 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.

Credit risk: Credit risk is the risk of an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash. The Company's limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is invested in bank accounts.

Interest risk: The Company's bank accounts earn interest income at variable rates. The fair value of cash approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

Currency risk: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect 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.

Community risk: The Company has negotiated with the local communities on its mineral property concessions for access to facilitate the completion of geological studies and exploration work programs. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such certain groups or individuals within the community.

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.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2010.

Additional Information

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at www.sedar.com.

The Company provides information packages to investors. These packages include materials filed with regulatory authorities. Additionally the Company attends investment/trade conferences and updates its website (www.goldenarrowresources.com) on a continuous basis.