
GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2010 AND 2009

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

GOLDEN ARROW RESOURCES CORPORATION

(the “Company”)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2010 and three months ended March 31, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

May 24, 2010

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(See Note 1 – Nature of Operations and Going Concern)
(Unaudited - Expressed in Canadian Dollars)

	March 31, 2010 \$	December 31, 2009 \$
ASSETS		
CURRENT ASSETS		
Cash	616,542	629,995
Short-term investment (Note 3)	447,407	1,127,234
Accounts receivable	265,734	241,976
Amount due from a related party (Note 10)	45,897	-
Royalty income receivable (Note 5)	373,658	540,485
Prepaid expenses (Note 10)	135,689	293,368
Marketable securities (Note 4)	25,409	39,268
	1,910,336	2,872,326
Deposit (Note 10)	85,000	85,000
MINERAL PROPERTY INTERESTS (Note 6)	1,024,704	2,391,651
	3,020,040	5,348,977
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	68,326	176,017
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Authorized – Unlimited common shares without par value (Note 7)		
Issued and outstanding 35,701,655 (December 31, 2009 – 34,901,655) common shares	6,665,301	12,155,608
WARRANTS (Note 7 and 9)	930,874	1,043,182
CONTRIBUTED SURPLUS	13,473,448	13,451,553
ACCUMULATED OTHER COMPREHENSIVE INCOME	9,240	23,099
DEFICIT	(18,127,149)	(21,500,482)
	2,951,714	5,172,960
	3,020,040	5,348,977

APPROVED BY THE BOARD

“Joseph Grosso” , Director

“David Horton” , Director

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended March 31,	
	2010	2009
	\$	\$
	Restated – Note 13	
EXPENSES		
Administration and management services	39,051	52,120
Corporate development and investor relations	26,812	29,600
Exploration	216,595	372,563
Office and sundry	33,766	44,919
Professional fees	66,040	20,502
Rent, parking and storage	24,696	22,554
Salaries and employee benefits	90,388	105,650
Stock-based compensation	21,895	-
Transfer agent and regulatory fees	1,514	9,132
Travel and accommodation	12,759	11,574
	<u>533,516</u>	<u>668,614</u>
LOSS (INCOME) BEFORE OTHER ITEMS		
OTHER INCOME (EXPENSE)		
Foreign exchange	(20,058)	(6,363)
Interest and other income	2,091	11,245
Royalty income (Note 5)	373,659	169,375
Recovery on long-term investment	-	20,710
	<u>355,692</u>	<u>194,967</u>
LOSS FOR THE PERIOD	<u>(177,824)</u>	<u>(473,647)</u>
DEFICIT ADJUSTMENT – SPINOUT OF GOLDEN ALLIANCE RESOURCES CORPORATION	3,551,157	-
DEFICIT - BEGINNING OF PERIOD	<u>(21,500,482)</u>	<u>(18,999,076)</u>
DEFICIT - END OF PERIOD	<u>(18,127,149)</u>	<u>(19,472,723)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE	(0.01)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	35,645,599	20,196,411

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended March 31,	
	2010	2009
	\$	\$
	Restated – Note 13	
LOSS FOR THE PERIOD	(169,223)	(473,647)
OTHER COMPREHENSIVE LOSS		
Unrealized loss on available-for-sale marketable securities	(13,859)	9,240
TOTAL COMPREHENSIVE LOSS	<u>(183,082)</u>	<u>(464,407)</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended March 31,	
	2010	2009
	\$	\$
		Restated – Note 13
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Loss for the period	(177,824)	(473,647)
Items not affecting cash:		
Accrued interest	-	4,364
Stock-based compensation	21,895	-
Recovery on Long-term investment	-	(20,710)
	(155,929)	(489,993)
 Change in non-cash working capital balances:		
Royalty income receivable	166,827	(169,375)
Amount due from a related party	(45,897)	-
Other receivables and prepaid expenses	133,921	(96,485)
Accounts payable and accrued liabilities	(107,691)	(69,235)
	(8,769)	(825,088)
INVESTING ACTIVITIES		
Expenditures on mineral property interests	(13,536)	(99,626)
Cash transferred to Golden Alliance Resources Corp.	(930,000)	-
Receipt of long-term investment	-	207,102
Decrease in short-term investments	679,827	475,000
	(263,709)	582,476
FINANCING ACTIVITIES		
Issuance of common shares	224,400	778,350
Exercise of warrants	34,625	
Share and warrant issue costs	-	(37,246)
	259,025	741,104
INCREASE (DECREASE) IN CASH	(13,453)	498,492
CASH - BEGINNING OF PERIOD	629,995	372,141
CASH - END OF PERIOD	616,542	870,633

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares (Note 7)	Contributed Surplus (Note 8)	Warrants (Notes 7 and 9)	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 (loss) 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	680,000	224,400	-	-	-	-
Warrants exercised	120,000	43,027	-	(8,402)	-	-
Stock-based compensation	-	-	21,895	-	-	-
Spinout of Peruvian and Colombian properties into Golden Alliance	-	(5,757,734)	-	(103,906)	-	3,551,157
Unrealized gain (loss) on available-for-sale marketable securities	-	-	-	-	(13,859)	-
Net loss	-	-	-	-	-	(177,824)
Balance as at March 31, 2010	35,701,655	6,665,301	13,473,448	930,874	9,240	(18,127,149)

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE PERIOD ENDED MARCH 31, 2010
(Expressed in Canadian Dollars)

ACQUISITION COSTS

<i>Expressed in Canadian Dollars</i>	<u>Argentina</u>					<u>Peru</u>			<u>Colombia</u>	<u>Total</u>
	<u>Valle de Cura \$</u>	<u>Mogote \$</u>	<u>Pescado \$</u>	<u>Purulla \$</u>	<u>Other \$</u>	<u>Rio Tabaconas \$</u>	<u>Cocha \$</u>	<u>Other \$</u>	<u>La Morena \$</u>	<u>\$</u>
BALANCE – BEGINNING OF PERIOD	644,755	167,924	30,021	117,981	50,487	1,310,867	30,843	38,773	-	2,391,651
ACQUISITION COSTS DURING THE YEAR:										
Cash	-	5,610	912	58	6,956	-	-	-	-	13,536
	-	5,610	912	58	6,956					13,536
Spin-out to Golden Alliance Resources Corporation	-	-	-	-	-	(1,310,867)	(30,843)	(38,773)	-	(1,380,483)
BALANCE - END OF PERIOD	<u>644,755</u>	<u>173,534</u>	<u>30,933</u>	<u>118,039</u>	<u>57,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,704</u>

EXPLORATION EXPENDITURES

<i>Expressed in Canadian Dollars</i>	<u>Argentina</u>						<u>Peru</u>			<u>Colombia</u>	<u>Total</u>
	<u>Valle de Cura \$</u>	<u>Mogote \$</u>	<u>Jujuy \$</u>	<u>Pescado \$</u>	<u>Purulla \$</u>	<u>Other \$</u>	<u>Rio Tabaconas \$</u>	<u>Cocha \$</u>	<u>Other \$</u>	<u>La Morena and Other \$</u>	<u>\$</u>
CUMULATIVE EXPLORATION EXPENDITURES	1,733,011	-	-	841,007	6,302	432,009	3,517,528	-	-	-	6,529,857
Geophysics and Metallurgy	-	-	-	-	-	-	591	-	-	-	591
Property maintenance payments	-	-	-	-	-	-	4,595	-	-	-	4,595
Office	-	-	-	-	22,648	-	5,095	-	-	-	27,743
Salaries and contractors	-	-	23,410	-	20,765	-	19,634	-	-	-	63,809
Supplies and equipment	-	-	-	-	7,540	-	-	-	-	-	7,540
Transportation	-	-	-	-	95,680	-	352	-	-	-	96,032
Social	-	-	-	-	-	-	-	-	3,154	-	3,154
IVA	-	299	1,246	419	7,806	-	3,361	-	-	-	13,131
	-	299	24,656	419	154,439	-	33,628	-	-	3,154	216,595
Spin-out to Golden Alliance Resources Corporation	-	-	-	-	-	-	(3,551,156)	-	-	-	(3,551,156)
Properties no longer being explored	-	-	(24,656)	-	-	-	-	-	-	(3,154)	(27,810)
CUMULATIVE EXPLORATION COSTS EXPENSED – END OF PERIOD	<u>1,733,011</u>	<u>299</u>	<u>-</u>	<u>841,426</u>	<u>160,741</u>	<u>432,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,167,486</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND
THE THREE MONTHS ENDED MARCH 31, 2009
(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Golden Arrow Resources Corporation (the “Company”) 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 natural resource company engaged in the acquisition and exploration of resource properties in the Argentina. 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. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as mineral property interests represent costs 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 property interests is 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 advance the properties beyond the exploration stage, and future profitability of the properties.

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$18,127,149 at March 31, 2010 (December 31, 2009 - \$21,500,482) and a shareholders’ equity of \$2,951,714 at March 31, 2010 (December 31, 2009 –\$5,172,960). In addition, the Company had working capital of \$1,842,010 at March 31, 2010 (December 31, 2009 – \$2,696,309). 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. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements and accompanying notes have been prepared in conformity with Canadian generally accepted accounting principles (“GAAP”).

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Inversiones Mineras Australes Holdings (BVI) Inc., IMPSA Resources Corporation, and Inversiones Mineras Australes S.A.

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles, except that they do not contain all disclosures as required for annual financial statements. The interim financial statements have been prepared following the same accounting policies as for the consolidated financial statements for the year ended December 31, 2009 except as noted. Accordingly, they should be read in conjunction with the 2009 financial statements and the notes thereto.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND
THE THREE MONTHS ENDED MARCH 31, 2009
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents are classified as held for trading and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit standings.

Marketable Securities

Marketable securities are designated as available-for-sale and recorded at fair value, with changes in fair value recorded in the statement of other comprehensive income. The fair value of marketable securities is obtained by reference to the current quoted bid price on the balance sheet date. When it is determined that a decrease in fair value is other than temporary a loss will be recorded in other income (expense).

Mineral Property Interests

Exploration expenditures are charged to earnings as they are incurred until the property reaches development stage. 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.

Stock-based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. 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 re-classified from contributed surplus to share capital.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND
THE THREE MONTHS ENDED MARCH 31, 2009
(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Foreign Currencies

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

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. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, *Consolidated and Separate Financial Statements* (January 2008).

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 Company is currently evaluating the impact of the adoption of these sections as it has not adopted them yet.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is evaluating the financial reporting impact of the transition to IFRS.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND
THE THREE MONTHS ENDED MARCH 31, 2009
(Unaudited - Expressed in Canadian Dollars)

3. SHORT-TERM INVESTMENTS

As at March 31, 2010 and December 31, 2009 the Company held the following term deposits:

		March 31, 2010	
		Maturity	Fair Value
			\$
12 month term deposit			
- Prime less 1.85% annual interest rate (\$445,000 principal)	August 13, 2010		447,407
			<u>447,407</u>
		December 31, 2009	
		Maturity	Principal
			\$
12 month term deposit			
- Prime less 1.85% annual interest rate (\$575,000 principal)	August 13, 2010		575,895
- 0.35% annual interest rate (\$550,000 principal)	April 22, 2010		551,339
			<u>1,127,234</u>

All term deposits are 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, 2010, the Company held 230,990 (2009 – 230,990) common shares of Panthera Exploration Inc. ("Panthera") which had a quoted market value of \$25,409 (2009 - \$39,268). The Company has designated its marketable securities as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive income in the period they occur. An unrealized loss of \$13,859 (2009 - \$23,099 loss) was recorded for the three months ended March 31, 2010. The Company holds these marketable securities as a result of entering into option and sale agreements for certain of its mineral property holdings in Argentina.

5. ROYALTY REVENUE

On May 29, 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 1st, April 30th, July 31st and October 31st of each year of the mine life.

The schedule below summarizes quarterly payments receivable from Yamana for the three months ended March 31, 2010:

NSR Payment for the Quarter Ended	Payment Date	Amount (CDN\$)	Amount (US\$)
March 31, 2010	May 13, 2010	<u>373,659</u>	<u>358,979</u>
		<u>373,659</u>	<u>358,979</u>

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND
THE THREE MONTHS ENDED MARCH 31, 2009
(Unaudited - Expressed in Canadian Dollars)

5. ROYALTY REVENUE (continued)

The schedule below summarizes quarterly payments receivable from Yamana for the three months ended March 31, 2009:

NSR Payment for the Quarter Ended	Payment Date	Amount (CDN\$)	Amount (US\$)
March 31, 2009	May 29, 2009	169,375	138,658
		<u>169,375</u>	<u>138,658</u>

6. MINERAL PROPERTY INTERESTS

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 3,564,665 common shares and 1,921,800 warrants of Golden Alliance Resources Corporation, 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. The Company retained its Argentinean properties and its royalty interest in Yamana Gold Inc.'s Gualcamayo project.

The schedule below summarizes the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at March 31, 2010 and December 31, 2009:

	March 31, 2010			December 31, 2009		
	Acquisition Costs	Exploration Expenditures	Total	Acquisition Costs	Exploration Expenditures	Total
	\$	\$	\$	\$	\$	\$
Argentina						
Valle de Cura	644,755	1,733,011	2,377,766	644,755	1,733,011	2,377,766
Mogote	173,534	299	173,833	167,924	-	167,924
Pescado	30,933	841,426	872,359	30,021	841,007	871,028
Neuquen	2,139	190,392	192,531	2,139	190,392	192,531
Purulla	118,039	160,741	278,780	117,981	6,302	124,283
Other	55,304	241,617	296,921	48,348	241,617	289,965
	<u>1,024,704</u>	<u>3,167,486</u>	<u>4,192,190</u>	<u>1,011,168</u>	<u>3,012,329</u>	<u>4,023,497</u>
Peru						
Rio Tabaconas	-	-	-	1,310,867	3,517,528	4,828,395
Cocha	-	-	-	30,843	-	30,843
Mitu	-	-	-	15,513	-	15,513
Others	-	-	-	23,260	-	23,260
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,380,483</u>	<u>3,517,528</u>	<u>4,898,011</u>
	<u>1,024,704</u>	<u>3,167,486</u>	<u>4,192,190</u>	<u>2,391,651</u>	<u>6,529,857</u>	<u>8,921,508</u>

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND
THE THREE MONTHS ENDED MARCH 31, 2009
(Unaudited - Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

(a) Valle de Cura Properties, Argentina

The Company owns a 100% interest in the Valle de Cura properties for which it paid consideration of US \$120,000. The properties are subject to a net smelter return royalty ("NSR") of up to US \$5,000,000 once commercial production is achieved.

(b) Mogote Property, Argentina

On June 3, 2009 the Company announced that it had entered into an agreement to acquire from Panthera the remaining 51% interest in the Mogote property not already held by the Company and four Peruvian property concessions for consideration of \$168,870 CDN (\$150,000 USD) and a 1% NSR. This transaction received shareholder approval on July 22, 2009 and regulatory approval July 29, 2009. The amount allocated to acquisition costs for Mogote was \$159,763 CDN.

(c) Purulla, Argentina

On October 20, 2009 the Company entered into an option agreement with a private Argentinean claim owner to earn a 100% interest in the Purulla Project in Catamarca Province, Argentina. 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
200,000	October 20, 2011
700,000	October 20, 2012
1,025,000	

(c) Pescado Gold Project, San Juan, Argentina

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

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7. SHARE CAPITAL AND WARRANTS

At March 31, 2010, the Company had unlimited authorized common shares without par value. As at March 31, 2010, an aggregate of 35,701,655 common shares were issued and outstanding.

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 will entitle 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 to the Company 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 will entitle 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 to the Company 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 will entitle 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 to the Company on a portion of the financing.

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.

8. STOCK OPTIONS

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. Stock options granted vest immediately and are subject to a four-month hold period and exercisable for a period of five years.

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8. STOCK OPTIONS (continued)

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price (CAD\$)
Balance at December 31, 2008	1,293,900	0.87
Granted	1,650,000	0.35
Exercised	-	-
Expired	(20,000)	1.00
Forfeited	-	-
Balance at December 31, 2009	2,923,900	0.58
Granted	100,000	0.36
Exercised	-	-
Cancelled	-	-
Expired	-	-
Balance at March 31, 2010	100,000	0.36
Number of stock options exercisable	3,023,900	0.57

As at March 31, 2010, the following stock options were outstanding as follows:

Number	Exercise Price \$	Expiry Date
610,900	0.75	September 23, 2010
75,000	0.80	March 15, 2012
588,000	1.00	September 12, 2012
1,650,000	0.35	October 17, 2015
100,000	0.36	March 31, 2015
3,023,900		

Total stock options granted during the three months ended March 31, 2010 were 100,000 (three months ended March 31, 2009 – Nil). Stock options granted vest immediately but are subject to a four month hold period. Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the three months ended March 31, 2010 was \$21,895 (three months ended March 31, 2009 - Nil).

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8. STOCK OPTIONS (continued)

The weighted average fair value of stock options granted is estimated to be \$ 0.12 for the three months ended March 31, 2010 (three months ended March 31, 2009 – Nil) by using the Black-Scholes options pricing model with the following weighted average assumptions:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Risk-free interest	2.59%	-
Expected dividend yield	-	-
Expected stock price volatility	80.87%	-
Expected option life in years	3.4	-

9. WARRANTS

Share purchase warrant transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price \$
Balance at December 31, 2009	19,283,000	0.36
Exercised	(120,000)	0.29
Granted	-	-
Balance at March 31, 2010	19,163,000	0.32

At March 31, 2010, the following warrants were outstanding as follows:

Number	Exercise Price \$	Expiry Date
5,034,000	0.23	January 9 , 2011
9,014,000	0.36	October 17 , 2010
5,115,000	0.36	January 30 , 2011
19,163,000		

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10. RELATED PARTY TRANSACTIONS

- (a) The Company had engaged Grosso Group Management Ltd., (“Grosso Group”) to provide services and facilities to the Company. The Grosso Group is a private company that is currently owned by Blue Sky Uranium Corp. (“Blue Sky”) and Golden Arrow, 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 was 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. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

During the three months ended March 31, 2010, the Company incurred fees of \$131,476 (2009 - \$137,040). A total of \$Nil (2009 - \$144,000) was paid in monthly payments and \$Nil is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the three months ended March 31, 2010 (2009 - \$6,960). In addition, included in deposits is an \$85,000 (2009 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital. Included in prepaid expenses is \$116,950 (2009 - \$Nil) in prepaid expenses to the Grosso Group for a termination payment received from a former member company.

- (b) As at March 31, 2010, the Company had \$45,897 receivable from Golden Allied Resources Corporation as a result of the spinout of the Peruvian and Columbian assets.
- (c) Effective December 1, 2009 the Company entered into an agreement with a director of the Company to pay a monthly salary of \$7,000. The Company also agreed to issue 650,000 common shares of the Company to this director. During the three months ended March 31, 2010 the Company paid or accrued consulting fees of \$26,900 (2009 - \$Nil) to this director.

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to this director consisting of any monthly compensation due to the date of termination and \$400,000 of compensation.

- (d) Effective October 1, 2009 the Company entered into a consulting agreement with a director of the Company to pay \$100 per hour. During the three months ended March 31, 2010 the Company paid or accrued consulting fees of \$12,151 to this director.

In the event the contract is terminated by the Company or as a result of a change of control, a payment is payable to this director consisting of any monthly compensation due to the date of termination and 24 months of compensation, which would be based on the average fees of the preceding three months.

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.

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11. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in the Argentina, Peru and Colombia. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the three months ended March 31, 2010.

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

March 31, 2010					
	Corporate Canada	Argentina	Peru	Colombia	Total
	\$	\$	\$	\$	\$
Current assets	996,980	913,356	-	-	1,910,336
Deposits	85,000	-	-	-	85,000
Mineral property interests	-	1,024,704	-	-	1,024,704
	<u>1,081,980</u>	<u>1,938,060</u>	<u>-</u>	<u>-</u>	<u>3,020,040</u>

December 31, 2009					
	Corporate Canada	Argentina	Peru	Colombia	Total
	\$	\$	\$	\$	\$
Current assets	1,998,775	814,127	38,996	20,428	2,872,326
Deposit	85,000	-	-	-	85,000
Mineral property interests	-	1,011,168	1,380,483	-	2,391,651
	<u>2,083,775</u>	<u>1,825,295</u>	<u>1,419,479</u>	<u>20,428</u>	<u>5,348,977</u>

12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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 and cash equivalents, receivables, and accounts payable. The fair value of these financial instruments 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.

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12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(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 cash equivalents and accounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in term deposits with financial institutions that operate globally. A portion of its receivables are with the governments of Canada and Argentina 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”). Yamana is a reputable global mining company with no history of default or non-payment. 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 (Note 1). 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 and cash equivalents, accounts 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:

	March 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	\$52,243	\$(52,243)	\$44,787	\$(44,787)
Increase (decrease) in other comprehensive (loss) income	-	-	-	-
Comprehensive (loss) income	\$52,243	\$(52,243)	\$44,787	\$(44,787)

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12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(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 and cash equivalents bear interest at variable rates. The fair value of cash and cash equivalents 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.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

13. RESTATEMENT

During the three months ended March 31, 2010, the Company concluded that:

- The accounting for the royalty income was not properly recorded in the financial statements for the three months ended March 31, 2009.

Royalty income earned but not yet received during the three months ended March 31, 2009 was not properly recorded. The effect of the adjustment to the March 31, 2009 financial statements is an increase in royalty income receivable by \$169,375 and an increase in royalty income by \$169,375.

Consolidated Statement of Operations and Comprehensive Loss and Deficit	March 31, 2009 as previously reported	Restatement Adjustment	March 31, 2009 restated
Royalty income	\$ -	\$169,375	\$ 169,375
Net loss for the period	(643,022)	169,375	(473,647)
Comprehensive loss for the period	(633,782)	169,375	(464,407)
Loss per share – basic and diluted	(0.03)	0.01	(0.02)

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13. RESTATEMENT (continued)

Consolidated Statement of Cash Flows	March 31, 2009 as previously reported	Restatement Adjustment	March 31, 2009 restated
Loss for the period	\$ (643,022)	\$ 169,375	\$ (473,647)
Change in non-cash working capital balances:			
Royalty income receivable	-	(169,375)	(169,375)

14. SUBSEQUENT EVENTS

150,000 stock options were granted.

The Company received a US \$358,979 payment for its 1% net smelter returns royalty (NSR) for the production period January 1st to March 31, 2010 at the Gualcamayo gold mine, located in San Juan, Argentina.