
GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2010 AND 2009

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

GOLDEN ARROW RESOURCES CORPORATION

(the “Company”)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**Six months ended June 30, 2010 and
six months ended June 30, 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.

August 3, 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)

	June 30, 2010 \$	December 31, 2009 \$
ASSETS		
CURRENT ASSETS		
Cash	730,738	629,995
Short-term investment (Note 3)	447,407	1,127,234
Accounts receivable	128,474	241,976
Amount due from a related party (Note 10)	87,774	-
Royalty income receivable (Note 5)	334,736	540,485
Prepaid expenses (Note 10)	14,671	293,368
Marketable securities (Note 4)	30,029	39,268
	1,773,829	2,872,326
Deposit (Note 10)	-	85,000
MINERAL PROPERTY INTERESTS (Note 6)	1,039,573	2,391,651
	2,813,402	5,348,977
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	102,674	176,017
SHARE CAPITAL		
Authorized – Unlimited common shares without par value (Note 7)		
Issued and outstanding 35,706,655 (December 31, 2009 – 34,901,655) common shares	6,666,646	12,155,608
WARRANTS (Note 7 and 9)	930,654	1,043,182
CONTRIBUTED SURPLUS	13,506,003	13,451,553
ACCUMULATED OTHER COMPREHENSIVE INCOME	13,860	23,099
DEFICIT	(18,406,435)	(21,500,482)
	2,710,728	5,172,960
	2,813,402	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 June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
EXPENSES				
Administration and management services	185,334	9,469	224,385	21,809
Corporate development and investor relations	27,006	18,197	53,818	47,798
Exploration	241,561	1,041,434	458,156	1,413,999
Office and sundry	43,009	49,321	76,775	94,088
Professional fees	50,687	61,518	117,027	121,950
Rent, parking and storage	27,000	27,270	51,696	49,823
Salaries and employee benefits	4,665	102,695	95,053	208,345
Stock-based compensation	32,555	265,298	54,450	265,298
Transfer agent and regulatory fees	4,008	18,155	5,522	27,287
Travel and accommodation	19,366	10,937	32,125	22,511
LOSS (INCOME) BEFORE OTHER ITEMS	635,191	1,604,294	1,169,007	2,272,908
OTHER INCOME (EXPENSE)				
Foreign exchange	38,632	(65,608)	18,574	(71,969)
Interest and other income	-	1,883	2,091	13,126
Royalty income (Note 5)	317,573	223,340	691,232	392,715
Recovery on long-term investment	-	-	-	20,710
	356,205	159,615	711,897	354,582
LOSS FOR THE PERIOD	(279,286)	(1,444,679)	(457,110)	(1,918,326)
DEFICIT ADJUSTMENT – SPINOUT OF GOLDEN ALLIANCE RESOURCES CORPORATION	-	-	3,551,157	-
DEFICIT - BEGINNING OF PERIOD	(18,127,149)	(19,472,723)	(21,500,482)	(18,999,076)
DEFICIT - END OF PERIOD	(18,406,435)	(20,917,402)	(18,406,435)	(20,917,402)
BASIC AND DILUTED LOSS PER COMMON SHARE	(0.01)	(0.05)	(0.01)	(0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	35,673,782	28,027,391	35,701,710	24,104,865

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
LOSS FOR THE PERIOD	(279,286)	(1,444,679)	(457,110)	(1,918,326)
OTHER COMPREHENSIVE LOSS				
Unrealized gain (loss) on available-for-sale marketable securities	4,620	-	(9,239)	9,240
TOTAL COMPREHENSIVE LOSS	(274,666)	(1,444,679)	(466,349)	(1,909,086)

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 June 30,		Six Months Ended June 30,	
	2010 \$	2009 \$	2010 \$	2009 \$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Loss for the period	(279,286)	(1,444,679)	(457,110)	(1,918,326)
Items not affecting cash:				
Accrued interest	-	(1,838)	-	2,526
Stock-based compensation	32,555	265,298	54,450	265,298
Recovery on Long-term investment	-	-	-	(20,710)
	<u>(246,731)</u>	<u>(1,181,219)</u>	<u>(402,660)</u>	<u>(1,671,212)</u>
Change in long term deposit	85,000	-	85,000	-
Change in non-cash working capital balances:				
Royalty income receivable	38,922	(53,965)	205,749	(223,340)
Amount due from a related party	(41,877)	-	(87,774)	-
Other receivables and prepaid expenses	258,278	67,023	392,199	(29,462)
Accounts payable and accrued liabilities	34,348	13,210	(73,343)	(56,024)
	<u>127,940</u>	<u>1,154,951</u>	<u>119,171</u>	<u>1,980,038</u>
INVESTING ACTIVITIES				
Expenditures on mineral property interests	(14,869)	-	(28,405)	(99,626)
Cash transferred to Golden Alliance Resources Corp.	-	-	(930,000)	-
Loan to Panthera Exploration Inc.	-	(150,000)	-	(150,000)
Receipt of long-term investment	-	-	-	207,102
Decrease (increase) in short-term investments	-	(700,000)	679,827	(225,000)
	<u>(14,869)</u>	<u>(850,000)</u>	<u>(278,578)</u>	<u>(267,524)</u>
FINANCING ACTIVITIES				
Issuance of common shares and warrants	-	2,276,000	224,400	3,054,350
Exercise of warrants	1,125	-	35,750	-
Share and warrant issue costs	-	(168,669)	-	(205,916)
	<u>1,125</u>	<u>2,107,331</u>	<u>260,150</u>	<u>2,848,434</u>
INCREASE (DECREASE) IN CASH	<u>114,196</u>	<u>102,380</u>	<u>100,743</u>	<u>600,872</u>
CASH - BEGINNING OF PERIOD	<u>616,542</u>	<u>870,633</u>	<u>629,995</u>	<u>372,141</u>
CASH - END OF PERIOD	<u><u>730,738</u></u>	<u><u>973,013</u></u>	<u><u>730,738</u></u>	<u><u>973,013</u></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 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	125,000	44,372	-	(8,622)	-	-
Stock-based compensation	-	-	54,450	-	-	-
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	-	-	-	-	(9,239)	-
Net loss	-	-	-	-	-	(457,110)
Balance as at June 30, 2010	35,706,655	6,666,646	13,506,003	930,654	13,860	(18,406,435)

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 JUNE 30, 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	-	8,794	1,687	-	17,924	-	-	-	-	28,405
	-	8,794	1,687	-	17,924					28,405
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>176,718</u>	<u>31,708</u>	<u>117,981</u>	<u>68,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,039,573</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 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	32,281	-	-	-	49,192	-	5,095	-	-	-	86,568
Salaries and contractors	66,288	-	23,410	-	68,492	-	19,634	-	-	-	177,824
Supplies and equipment	-	-	-	-	6,930	-	-	-	-	-	6,930
Transportation	29,513	-	-	-	120,670	-	352	-	-	-	150,535
Social	-	-	-	-	-	1,978	-	-	-	3,164	5,142
IVA	6,777	427	1,246	419	12,979	762	3,361	-	-	-	25,971
	134,859	427	24,656	419	258,263	2,740	33,628	-	-	3,164	458,156
Spin-out to Golden Alliance Resources Corporation	-	-	-	-	-	-	(3,551,156)	-	-	-	(3,551,156)
Properties no longer being explored	-	-	(24,656)	-	-	-	-	-	-	(3,164)	(27,820)
CUMULATIVE EXPLORATION COSTS EXPENSED – END OF PERIOD	<u>1,867,870</u>	<u>427</u>	<u>-</u>	<u>841,426</u>	<u>264,565</u>	<u>434,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,409,037</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 SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 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 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 \$18,406,435 at June 30, 2010 (December 31, 2009 - \$21,500,482) and a shareholders’ equity of \$2,710,728 at June 30, 2010 (December 31, 2009 –\$5,172,960). In addition, the Company had working capital of \$1,671,155 at June 30, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited - Expressed in Canadian Dollars)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited - Expressed in Canadian Dollars)

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.

3. SHORT-TERM INVESTMENTS

As at June 30, 2010 and December 31, 2009 the Company held the following term deposits:

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited - Expressed in Canadian Dollars)

		June 30, 2010	
		Maturity	Fair Value
			\$
12 month term deposit			
- Prime less 1.85% annual interest rate (\$445,000 principal)	August 13, 2010		447,407
			447,407
		December 31, 2009	
		Maturity	Principal
			\$
- 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
			1,127,234

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 June 30, 2010, the Company held 230,990 (December 31, 2009 – 230,990) common shares of Panthera Exploration Inc. ("Panthera") which had a quoted market value of \$30,029 (December 31, 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 gain of \$4,620 (2009 - \$nil) was recorded for the three months ended June 30, 2010. An unrealized loss of \$9,239 (2009 - \$9,240 gain) was recorded for the six months ended June 30, 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.

5. ROYALTY REVENUE (continued)

The schedule below summarizes quarterly payments receivable from Yamana for the six months ended June

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited - Expressed in Canadian Dollars)

30, 2010:

NSR Payment for the Quarter Ended	Payment Date	Amount (CDN\$)	Amount (US\$)
March 31, 2010	May 13, 2010	373,659	358,979
June 30, 2010	July 31, 2010	<u>323,323</u>	<u>314,424</u>
		<u>696,982</u>	<u>673,403</u>

The schedule below summarizes quarterly payments receivable from Yamana for the six months ended June 30, 2009:

NSR Payment for the Quarter Ended	Payment Date	Amount (CDN\$)	Amount (US\$)
March 31, 2009	May 29, 2009	169,375	138,658
June 30, 2009	July 31, 2009	<u>223,340</u>	<u>206,988</u>
		<u>392,715</u>	<u>345,646</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 3,564,629 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 June 30, 2010 and December 31, 2009:

6. MINERAL PROPERTY INTERESTS (continued)

June 30, 2010			December 31, 2009		
Acquisition	Exploration	Total	Acquisition	Exploration	Total

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited - Expressed in Canadian Dollars)

	Costs	Expenditures	\$	Costs	Expenditures	\$
	\$	\$		\$	\$	
Argentina						
Valle de Cura	644,755	1,867,870	2,512,625	644,755	1,733,011	2,377,766
Mogote	176,718	427	177,145	167,924	-	167,924
Pescado	31,708	841,426	873,134	30,021	841,007	871,028
Neuquen	2,139	190,392	192,531	2,139	190,392	192,531
Purulla	117,981	264,565	382,546	117,981	6,302	124,283
Other	66,272	244,357	310,629	48,348	241,617	289,965
	1,039,573	3,409,037	4,448,610	1,011,168	3,012,329	4,023,497
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
	-	-	-	1,380,483	3,517,528	4,898,011
	1,039,573	3,409,037	4,448,610	2,391,651	6,529,857	8,921,508

(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:

6. MINERAL PROPERTY INTERESTS (continued)

Option Payment	Date
US \$	
125,000	October 20, 2010

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200,000	October 20,2011
700,000	October 20, 2012
<u>1,025,000</u>	

(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

7. SHARE CAPITAL AND WARRANTS

At June 30, 2010, the Company had unlimited authorized common shares without par value. As at June 30, 2010, an aggregate of 35,706,655 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.

7. SHARE CAPITAL AND WARRANTS (continued)

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,

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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.

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	250,000	0.36
Exercised	-	-
Cancelled	-	-
Expired	-	-
Balance at June 30, 2010	3,173,900	0.56
Number of stock options exercisable	3,173,900	0.56

8. STOCK OPTIONS (continued)

As at June 30, 2010, the following stock options were outstanding as follows:

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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
150,000	0.36	April 22, 2015
3,173,900		

Total stock options granted during the three months ended June 30, 2010 were 150,000 (three months ended June 30, 2009 – 1,650,000). 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 June 30, 2010 was \$32,555 (three months ended June 30, 2009 - \$265,298).

Total stock options granted during the six months ended June 30, 2010 were 250,000 (six months ended June 30, 2009 – 1,650,000). Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the six months ended June 30, 2010 was \$54,450 (six months ended June 30, 2009 - \$265,298).

The weighted average fair value of stock options granted is estimated to be \$ 0.22 for the six months ended June 30, 2010 (six months ended June 30, 2009 – \$0.16) by using the Black-Scholes options pricing model with the following weighted average assumptions:

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Risk-free interest	2.76%	0.87%
Expected dividend yield	-	-
Expected stock price volatility	84.85%	85%
Expected option life in years	3.37	3.0

9. WARRANTS

Share purchase warrant transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
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		\$
Balance at December 31, 2009	19,283,000	0.36
Exercised	(125,000)	0.29
Granted	-	-
Balance at June 30, 2010	19,158,000	0.32

At June 30, 2010, the following warrants were outstanding as follows:

Number	Exercise Price \$	Expiry Date
5,029,000	0.225	January 9 , 2011
9,014,000	0.36	October 17 , 2010
5,115,000	0.36	January 30 , 2011
19,158,000		

10. 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 each member company. The initial fee based on expected usage is \$50,000 per month. This fee is reviewed and adjusted quarterly based on 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 is the aggregate of the termination fee in addition to the lesser of 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 six months ended June 30, 2010, the Company incurred fees of \$276,672 (2009 - \$299,946). A total of \$Nil (2009 - \$293,039) was paid in monthly payments and \$3,849 is included in accounts receivable. An officer and director’s salary comprise a portion of the fee.

- (b) During the six months ended June 30, 2010, the Company incurred \$24,151 (2009 - \$Nil) for consulting services provided by a company owned by a director of the Company.

10. RELATED PARTY TRANSACTIONS (continued)

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- (c) During the six months ended June 30, 2010, the Company incurred \$46,600 (2009 - \$Nil) for geological consulting services, provided by a company owned by an officer and director of the Company.
- (d) As at June 30, 2010, the Company had \$45,897 receivable from Golden Alliance Resources Corporation as a result of the spinout of the Peruvian and Colombian assets.
- (e) The Company and Blue Sky share office space and costs in Mendoza, Argentina. As at June 30, 2010 included in accounts receivable is \$41,877 from Blue Sky related to the shared office space.

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.

11. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the six months ended June 30, 2010.

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

June 30, 2010					
	Corporate Canada	Argentina	Peru	Colombia	Total
	\$	\$	\$	\$	\$
Current assets	1,218,746	555,083	-	-	1,773,829
Deposits	-	-	-	-	-
Mineral property interests	-	1,039,573	-	-	1,039,573
	1,218,746	1,594,656	-	-	2,813,402

December 31, 2009					
	Corporate Canada	Argentina	Peru	Colombia	Total
	\$	\$	\$	\$	\$
Current assets	1,998,775	814,127	38,996	20,428	2,801,988
Deposit	85,000	-	-	-	85,000
Mineral property interests	-	1,011,168	1,380,483	-	2,391,651
	2,083,775	1,825,295	1,419,479	20,428	5,348,977

12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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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.

(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:

12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

June 30, 2010

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	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	\$12,382	\$(12,382)	\$38,974	\$(38,974)
Increase (decrease) in other comprehensive (loss) income	-	-	-	-
Comprehensive (loss) income	\$12,382	\$(12,382)	\$38,974	\$(38,974)

(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. SUBSEQUENT EVENTS

The Company received a US \$314,424 payment for its 1% net smelter returns royalty (NSR) for the production period April 1st to June 30, 2010 at the Gualcamayo gold mine, located in San Juan, Argentina.