
GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

GOLDEN ARROW RESOURCES CORPORATION

(the “Company”)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**Nine months ended September 30, 2010 and
nine months ended September 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.

November 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)

| | September 30, 2010 \$ | December 31, 2009 \$ |
|--|--------------------------------------|-------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | 897,552 | 629,995 |
| Short-term investment (Note 3) | - | 1,127,234 |
| Accounts receivable | 96,609 | 199,293 |
| Royalty income receivable | 444,499 | 540,485 |
| Prepaid expenses (Note 11) | 15,118 | 293,368 |
| Marketable securities (Note 4) | 24,254 | 39,268 |
| | 1,478,032 | 2,829,643 |
| Deposit (Note 11) | - | 85,000 |
| OTHER RECEIVABLE | 111,984 | 42,683 |
| EQUIPMENT (Note 6) | 38,927 | - |
| MINERAL PROPERTY INTERESTS (Note 7) | 1,060,488 | 2,391,651 |
| | 2,689,431 | 5,348,977 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 140,411 | 176,017 |
| | 140,411 | 176,017 |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL | | |
| Authorized – Unlimited common shares without par value (Note 8) | | |
| Issued and outstanding 35,709,655 (December 31, 2009 – 34,901,655) common shares | 6,667,454 | 12,155,608 |
| WARRANTS (Note 8 and 10) | 930,521 | 1,043,182 |
| CONTRIBUTED SURPLUS | 13,506,003 | 13,451,553 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME | 8,085 | 23,099 |
| DEFICIT | (18,563,043) | (21,500,482) |
| | 2,549,020 | 5,172,960 |
| | 2,689,431 | 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 September 30, | | Nine months ended September 30, | |
|--|----------------------------------|---------------------|---------------------------------|---------------------|
| | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| EXPENSES | | | | |
| Administration and management services | 112,000 | 11,000 | 336,385 | 32,190 |
| Corporate development and investor relations | 16,956 | 16,852 | 70,774 | 64,649 |
| Depreciation | 5,561 | - | 5,561 | - |
| Exploration | 290,426 | 240,968 | 748,582 | 1,654,968 |
| Office and sundry | 66,475 | 43,003 | 143,250 | 137,710 |
| Professional fees | 28,159 | 101,928 | 145,186 | 223,877 |
| Rent, parking and storage | 27,007 | 21,317 | 78,703 | 71,140 |
| Salaries and employee benefits | 27,995 | 103,539 | 123,048 | 311,884 |
| Stock-based compensation | - | - | 54,450 | 265,298 |
| Transfer agent and regulatory fees | 555 | 11,034 | 6,077 | 38,321 |
| Travel and accommodation | 12,024 | 9,752 | 44,149 | 32,264 |
| LOSS (INCOME) BEFORE OTHER ITEMS | 587,158 | 559,393 | 1,756,165 | 2,832,301 |
| OTHER INCOME (EXPENSE) | | | | |
| Foreign exchange | (22,604) | (89,801) | (4,030) | (161,770) |
| Write-off of mineral properties | - | (10,395) | - | (10,395) |
| Interest and other income | (290) | 4,695 | 1,801 | 17,821 |
| Royalty income (Note 5) | 453,444 | 376,682 | 1,144,676 | 769,397 |
| Recovery on long-term investment | - | - | - | 20,710 |
| | 430,550 | 281,181 | 1,142,447 | 635,763 |
| LOSS FOR THE PERIOD | (156,608) | (278,212) | (613,718) | (2,196,538) |
| DEFICIT ADJUSTMENT – SPINOUT OF GOLDEN ALLIANCE RESOURCES CORPORATION | - | - | 3,551,157 | - |
| DEFICIT - BEGINNING OF PERIOD | (18,406,435) | (20,917,402) | (21,500,482) | (18,999,076) |
| DEFICIT - END OF PERIOD | (18,571,507) | (21,195,614) | (18,563,043) | (21,195,614) |
| BASIC AND DILUTED LOSS PER COMMON SHARE | (0.00) | (0.01) | (0.02) | (0.09) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 35,708,318 | 33,162,633 | 35,685,439 | 25,269,135 |

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------------|---------------------------------|--------------------|
| | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| LOSS FOR THE PERIOD | (156,608) | (278,212) | (613,718) | (2,196,538) |
| OTHER COMPREHENSIVE LOSS | | | | |
| Unrealized gain (loss) on available-for-sale marketable securities | (5,775) | 13,859 | (15,014) | 23,099 |
| TOTAL COMPREHENSIVE LOSS | (162,383) | (264,353) | (628,732) | (2,173,439) |

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 September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------------|---------------------------------|--------------------|
| | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| CASH PROVIDED FROM (USED FOR) | | | | |
| OPERATING ACTIVITIES | | | | |
| Loss for the period | (156,608) | (278,212) | (613,718) | (2,196,538) |
| Items not affecting cash: | | | | |
| Accrued interest | - | 3,949 | - | 6,476 |
| Depreciation | 5,561 | - | 5,561 | - |
| Stock-based compensation | - | - | 54,450 | 265,298 |
| Recovery on long-term investment | - | - | - | (20,710) |
| Write-off of mineral properties | - | 10,395 | - | 10,395 |
| | <u>(151,047)</u> | <u>(263,868)</u> | <u>(553,707)</u> | <u>(1,935,079)</u> |
| Change in long term deposit | - | - | 85,000 | - |
| Change in other receivable | (16,885) | - | (69,301) | - |
| Change in non-cash working capital balances: | | | | |
| Royalty income receivable | (109,763) | (153,342) | 95,986 | (376,682) |
| Other receivables and prepaid expenses | 24,093 | (13,844) | 380,934 | (43,306) |
| Accounts payable and accrued liabilities | 37,737 | 99,918 | (35,606) | 43,893 |
| | <u>(215,865)</u> | <u>(331,136)</u> | <u>(96,694)</u> | <u>(2,311,174)</u> |
| INVESTING ACTIVITIES | | | | |
| Acquisition of equipment | (44,488) | - | (44,488) | - |
| Expenditures on mineral property interests | (20,915) | (66,590) | (49,320) | (316,216) |
| Cash transferred to Golden Alliance Resources Corp. | - | - | (930,000) | - |
| Loan to Panthera Exploration Inc. | - | - | - | - |
| Receipt of long-term investment | - | - | - | 207,102 |
| Decrease (increase) in short-term investments | 447,407 | (400,000) | 1,127,234 | (625,000) |
| | <u>382,004</u> | <u>(466,590)</u> | <u>111,890</u> | <u>(734,114)</u> |
| FINANCING ACTIVITIES | | | | |
| Issuance of common shares and warrants | - | 660,000 | 224,400 | 3,714,350 |
| Exercise of warrants | 675 | - | 36,425 | - |
| Share and warrant issue costs | - | (79,299) | - | (285,215) |
| | <u>675</u> | <u>580,701</u> | <u>260,825</u> | <u>3,429,135</u> |
| INCREASE (DECREASE) IN CASH | 166,814 | (217,025) | 267,557 | 383,847 |
| CASH - BEGINNING OF PERIOD | 730,738 | 973,013 | 629,995 | 372,141 |
| CASH - END OF PERIOD | <u>897,552</u> | <u>755,988</u> | <u>897,552</u> | <u>755,988</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 8) | Contributed Surplus (Note 9) | Warrants (Notes 8 and 10) | 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 | 128,000 | 45,180 | - | (8,755) | - | - |
| 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 | - | - | - | - | (15,014) | - |
| Net loss | - | - | - | - | - | (622,182) |
| Balance as at September 30, 2010 | 35,709,655 | \$6,667,454 | \$13,506,003 | \$930,521 | \$8,085 | \$(18,571,507) |

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 SEPTEMBER 30, 2010
(Expressed in Canadian Dollars)

ACQUISITION COSTS

| <i>Expressed in Canadian Dollars</i> | <u>Argentina</u> | | | | | <u>Peru</u> | | | <u>Colombia</u> | <u>Chile</u> | <u>Total</u> |
|---|-------------------------------|----------------|----------------|----------------|---------------|-------------------------|--------------|--------------|----------------------|---------------|------------------|
| | <u>Fronterra District</u> | <u>Mogote</u> | <u>Pescado</u> | <u>Purulla</u> | <u>Other</u> | <u>Rio Tabaonas</u> | <u>Cocha</u> | <u>Other</u> | <u>La Morena</u> | <u>Mogote</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 | 10,492 | 19,883 | - | - | - | - | 8,464 | 49,320 |
| | - | 8,794 | 1,687 | 10,492 | 19,883 | - | - | - | - | 8,464 | 49,320 |
| 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>128,473</u> | <u>70,370</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,464</u> | <u>1,060,488</u> |

EXPLORATION EXPENDITURES

| <i>Expressed in Canadian Dollars</i> | <u>Argentina</u> | | | | | | <u>Peru</u> | | | <u>Colombia</u> | <u>Chile</u> | <u>Total</u> |
|--|-------------------------------|---------------|----------------|----------------|----------------|----------------|-------------------------|--------------|--------------|--|---------------|------------------|
| | <u>Fronterra District</u> | <u>Mogote</u> | <u>Varitas</u> | <u>Pescado</u> | <u>Purulla</u> | <u>Other</u> | <u>Rio Tabaonas</u> | <u>Cocha</u> | <u>Other</u> | <u>La Morena and Other</u> | <u>Mogote</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 | 55,443 | - | 69,477 | - | 49,250 | - | 5,095 | - | - | - | 4,003 | 183,268 |
| Salaries and contractors | 91,162 | - | 74,442 | - | 68,491 | 24,550 | 19,634 | - | - | - | - | 278,279 |
| Supplies and equipment | 80 | - | 241 | - | 6,930 | - | - | - | - | - | - | 7,251 |
| Transportation | 51,606 | - | 66,110 | - | 120,670 | - | 352 | - | - | - | - | 238,738 |
| Social | - | - | - | - | - | - | - | - | 3,164 | - | - | 3,164 |
| Statutory and taxes IVA | 7,524 | 427 | 7,979 | 1,967 | 9,708 | 1,562 | 3,362 | - | - | - | - | 30,730 |
| | 205,815 | 427 | 218,249 | 2,135 | 255,049 | 26,112 | 33,629 | - | - | 3,164 | 4,003 | 748,583 |
| Spin-out to Golden Alliance Resources Corporation | - | - | - | - | - | - | (3,551,157) | - | - | - | - | (3,551,157) |
| Properties no longer being explored | - | - | - | - | - | - | - | - | (3,164) | - | - | (3,164) |
| CUMULATIVE EXPLORATION COSTS EXPENSED – END OF PERIOD | <u>1,938,826</u> | <u>427</u> | <u>218,249</u> | <u>843,142</u> | <u>261,351</u> | <u>458,121</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,003</u> | <u>3,724,119</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 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND
NINE MONTHS ENDED SEPTEMBER 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 \$18,563,043 at September 30, 2010 (December 31, 2009 - \$21,500,482) and a shareholders’ equity of \$2,549,020 at September 30, 2010 (December 31, 2009 –\$5,172,960). In addition, the Company had working capital of \$1,337,621 at September 30, 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. 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 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND
NINE MONTHS ENDED SEPTEMBER 30, 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.

Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives of two years.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation. The accounts affected were accounts receivable and other receivable.

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.

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

4. MARKETABLE SECURITIES

At September 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 \$24,254 (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 loss of \$5,775 (September 30, 2009 - \$13,859 gain) was recorded for the three months ended September 30, 2010. An unrealized loss of \$15,014 (September 30, 2009 - \$23,099 gain) was recorded for the nine months ended September 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.

For the nine months ended September 30, 2010, the Company earned CDN\$1,144,676 (US\$1,105,374) in royalty revenue from Yamana. As at September 30, 2010, CDN\$444,499 (US\$431,972) (December 31, 2009 – CDN\$540,485 (US\$516,433)) is included in royalty receivable. For the nine months ended September 30, 2009, the Company has received CDN\$769,397 (US\$688,864) in royalty revenue from Yamana.

6. EQUIPMENT

| | September 30, 2010 | | | December 31, 2009 | | |
|----------------------|--------------------|--------------------------|----------------|-------------------|--------------------------|----------------|
| | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| Geological equipment | 44,488 | 5,561 | 38,927 | - | - | - |
| | 44,488 | 5,561 | 38,927 | - | - | - |

7. 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 September 30, 2010 and December 31, 2009:

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

7. MINERAL PROPERTY INTERESTS (continued)

| | September 30, 2010 | | | December 31, 2009 | | |
|--------------------|----------------------------|-----------------------------------|-------------|----------------------------|-----------------------------------|-------------|
| | Acquisition Costs \$ | Exploration Expenditures \$ | Total \$ | Acquisition Costs \$ | Exploration Expenditures \$ | Total \$ |
| Argentina | | | | | | |
| Fronterra District | 644,755 | 1,938,826 | 2,583,581 | 644,755 | 1,733,011 | 2,377,766 |
| Varitas | - | 218,249 | 218,249 | - | - | - |
| Mogote | 176,718 | 427 | 177,145 | 167,924 | - | 167,924 |
| Pescado | 31,708 | 843,142 | 874,850 | 30,021 | 841,007 | 871,028 |
| Neuquen | 2,139 | 190,392 | 192,531 | 2,139 | 190,392 | 192,531 |
| Purulla | 128,473 | 261,351 | 389,824 | 117,981 | 6,302 | 124,283 |
| Other | 68,231 | 267,729 | 335,960 | 48,348 | 241,617 | 289,965 |
| | 1,052,024 | 3,720,116 | 4,772,140 | 1,011,168 | 3,012,329 | 4,023,497 |
| Chile | | | | | | |
| Mogote | 8,464 | 4,003 | 12,467 | - | - | - |
| | 8,464 | 4,003 | 12,467 | - | - | - |
| 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 |
| | 1,060,488 | 3,724,119 | 4,784,607 | 2,391,651 | 6,529,857 | 8,921,508 |

(a) Fronterra District, Argentina

The Company owns a 100% interest in the Fronterra District 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) Varitas, La Rioja, Argentina

The Company's 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.

GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND

NINE MONTHS ENDED SEPTEMBER 30, 2009

(Unaudited - Expressed in Canadian Dollars)

7. MINERAL PROPERTY INTERESTS (continued)

(c) 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.

On September 9, 2010 the Company announced that it has entered into an option agreement with Vale Exploracion Argentina, S.A., a wholly-owned subsidiary of Vale S.A., on its Mogote project in San Juan Province and its Purulla project in Catamarca Province, Argentina.

Under the terms of the option agreement Vale can earn an initial 70% interest in the projects by completing \$US 6.8 million in exploration expenditures and making \$US 2.3 million in cash payments to the Company over 3 years, in addition to making underlying vendor payments of \$US 1.025 million with regard 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 the Company'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 \$US 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 \$US 800,000 in exploration expenditures and make \$US 125,000 in vendor payments during the first year.

(d) 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 | Date |
|-----------------------|------------------|
| US \$ | |
| 125,000 | October 20, 2010 |
| 200,000 | October 20, 2011 |
| 700,000 | October 20, 2012 |
| <u>1,025,000</u> | |

These payments will be paid by Vale as part of the option agreement described above.

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

7. MINERAL PROPERTY INTERESTS (continued)

(e) 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

8. SHARE CAPITAL AND WARRANTS

At September 30, 2010, the Company had unlimited authorized common shares without par value. As at September 30, 2010, an aggregate of 35,709,655 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.

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

9. 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 | (60,000) | 0.35 |
| Expired | (610,900) | 0.75 |
| Balance at September 30, 2010 | 2,503,000 | 0.52 |
| Number of stock options exercisable | 2,503,000 | 0.52 |

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

| Number | Exercise Price \$ | Expiry Date |
|-----------|----------------------|--------------------|
| 75,000 | 0.80 | March 15, 2012 |
| 588,000 | 1.00 | September 10, 2012 |
| 1,590,000 | 0.35 | October 17, 2015 |
| 100,000 | 0.36 | March 31, 2015 |
| 150,000 | 0.36 | April 22, 2015 |
| 2,503,000 | | |

Total stock options granted during the three months ended September 30, 2010 were Nil (three months ended September 30, 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 September 30, 2010 was \$Nil (three months ended September 30, 2009 - \$Nil).

Total stock options granted during the nine months ended September 30, 2010 were 250,000 (nine months ended September 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 nine months ended September 30, 2010 was \$54,450 (nine months ended September 30, 2009 - \$265,298).

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

9. STOCK OPTIONS (continued)

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

| | Nine Months Ended September 30, 2010 | Nine Months Ended September 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 |

10. 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 | (128,000) | 0.28 |
| Granted | - | - |
| Balance at September 30, 2010 | 19,155,000 | 0.32 |

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

| Number | Exercise Price \$ | Expiry Date |
|------------|----------------------|------------------|
| 9,014,000 | 0.36 | October 17, 2010 |
| 5,026,000 | 0.225 | January 9, 2011 |
| 5,115,000 | 0.36 | January 30, 2011 |
| 19,155,000 | | |

11. 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.

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

11. RELATED PARTY TRANSACTIONS (continued)

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 nine months ended September 30, 2010, the Company incurred fees of \$426,672 (2009 - \$473,657). A total of \$426,672 (2009 - \$455,947) was paid in monthly payments and \$Nil is included in accounts receivable (2009 - \$6,003 included in accounts payable). An officer and director's salary comprise a portion of the fee.

- (b) During the nine months ended September 30, 2010, the Company incurred \$36,151 (2009 - \$Nil) for consulting services provided by a company owned by a director of the Company.
- (c) During the nine months ended September 30, 2010, the Company incurred \$62,600 (2009 - \$5,000) 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.

12. 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 nine months ended September 30, 2010.

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

| | September 30, 2010 | | | | | |
|----------------------------|---------------------------|--------------|------------------|-------------|-----------------|--------------|
| | Canada | Chile | Argentina | Peru | Colombia | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Current assets | 1,268,104 | - | 209,928 | - | - | 1,478,032 |
| Deposits | - | - | - | - | - | - |
| Other receivable | - | - | 111,984 | - | - | 111,984 |
| Equipment | - | - | 38,927 | - | - | 38,927 |
| Mineral property interests | - | 8,464 | 1,052,024 | - | - | 1,060,488 |
| | 1,268,104 | 8,464 | 1,412,863 | - | - | 2,689,431 |

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

12. SEGMENTED INFORMATION (continued)

| | December 31, 2009 | | | | |
|----------------------------|-----------------------------|------------------|------------------|-----------------|------------------|
| | Corporate Canada | Argentina | Peru | Colombia | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Current assets | 1,998,775 | 771,444 | 38,996 | 20,428 | 2,785,103 |
| Deposit | 85,000 | - | - | - | 85,000 |
| Other receivable | - | 42,683 | - | - | 16,885 |
| 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> |

13. 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.

(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.

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

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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:

| | September 30, 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 | \$22,527 | \$(22,527) | \$52,748 | \$(52,748) |
| Increase (decrease) in other comprehensive income | - | - | - | - |
| Comprehensive (loss) income | \$22,527 | \$(22,527) | \$52,748 | \$(52,748) |

(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.

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

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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.

14. SUBSEQUENT EVENTS

The Company received US \$431,972 payment for its 1% net smelter returns royalty (NSR) for the production period July 1st to September 30, 2010 at the Gualcamayo gold mine, located in San Juan, Argentina.

5,445,000 share purchase warrants were exercised for proceeds of \$1,933,200 and 3,769,000 share purchase warrants expired.

960,000 and 75,000 stock options were granted at exercise prices of \$0.35 and \$0.38, respectively.

The Company completed a non-brokered private placement financing of 4,000,000 shares at a price of \$0.35 per share for gross proceeds of \$1,400,000.