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# **GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2009 AND 2008

*(Expressed in Canadian Dollars)*  
*(Unaudited - Prepared by Management)*

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

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited – Expressed in Canadian Dollars)

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	973,013	372,141
Short-term investments (Note 4)	880,351	657,878
Amounts receivable and prepaids	396,218	143,416
Marketable securities (Note 5)	25,409	16,169
	<u>2,274,991</u>	<u>1,189,604</u>
<b>DEPOSIT</b> (Note 11)	85,000	85,000
<b>LOAN RECEIVABLE</b> (Notes 11 and 14)	150,000	-
<b>LONG-TERM INVESTMENT</b> (Note 6)	-	186,392
<b>MINERAL PROPERTY INTERESTS</b> (Note 8)	<u>2,264,974</u>	<u>2,165,348</u>
	<u><u>4,774,965</u></u>	<u><u>3,626,344</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 11)	<u>119,216</u>	<u>175,241</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 9)	11,322,442	9,144,655
<b>WARRANTS</b> (Note 9)	1,465,775	795,128
<b>CONTRIBUTED SURPLUS</b> (Note 10)	12,775,694	12,510,396
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	9,240	-
<b>DEFICIT</b>	<u>(20,917,402)</u>	<u>(18,999,076)</u>
	<u>4,655,749</u>	<u>3,451,103</u>
	<u><u>4,774,965</u></u>	<u><u>3,626,344</u></u>

SUBSEQUENT EVENTS (Note 14)

APPROVED BY THE BOARD OF DIRECTORS

\_\_\_\_\_  
"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,	
	2009 \$	2008 \$ (Restated – Note 3)	2009 \$	2008 \$ (Restated – Note 3)
<b>EXPENSES</b>				
Administrative and management	9,469	18,180	21,809	37,490
Corporate development and investor relations	18,197	31,186	47,798	108,607
Exploration	1,041,434	1,346,926	1,413,999	1,941,546
Office and sundry	49,321	70,877	94,088	107,767
Professional fees	61,518	34,292	121,950	47,327
Rent, parking and storage	27,270	16,063	49,823	29,855
Salaries and employee benefits	102,695	93,691	208,345	180,706
Stock-based compensation (Note 9)	265,298	-	265,298	11,752
Transfer agent and regulatory fees	18,155	6,859	27,287	13,561
Travel and accommodation	10,937	21,293	22,511	32,713
	<u>1,604,294</u>	<u>1,639,367</u>	<u>2,272,908</u>	<u>2,511,324</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(1,604,294)</u>	<u>(1,639,367)</u>	<u>(2,272,908)</u>	<u>(2,511,324)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Foreign exchange income (loss)	(65,608)	27,210	(71,969)	(22,694)
Gain on sale of long-term investment (Note 6)	-	-	20,710	-
Royalty income (Note 7)	392,715	-	392,715	-
Interest and other income	1,883	35,146	13,126	80,088
	<u>328,990</u>	<u>62,356</u>	<u>354,582</u>	<u>57,394</u>
<b>LOSS FOR THE PERIOD</b>	<u>(1,275,304)</u>	<u>(1,577,011)</u>	<u>(1,918,326)</u>	<u>(2,453,930)</u>
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(19,642,098)</u>	<u>(15,051,846)</u>	<u>(18,999,076)</u>	<u>(14,174,927)</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(20,917,402)</u>	<u>(16,628,857)</u>	<u>(20,917,402)</u>	<u>(16,628,857)</u>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>				
	<u>(0.05)</u>	<u>(0.10)</u>	<u>(0.08)</u>	<u>(0.16)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
	<u>28,027,391</u>	<u>15,468,655</u>	<u>24,104,865</u>	<u>15,367,550</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
*(Unaudited – Expressed in Canadian Dollars)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>LOSS FOR PERIOD</b>	(1,275,304)	(1,577,011)	(1,918,326)	(2,453,930)
<b>OTHER COMPREHENSIVE LOSS</b>				
Unrealized gain (loss) on available-for-sale marketable securities	-	(46,198)	9,240	(69,297)
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(1,275,304)</u>	<u>(1,623,209)</u>	<u>(1,909,086)</u>	<u>(2,523,227)</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 \$	2008 \$ (Restated – Note 3)	2009 \$	2008 \$ (Restated – Note 3)
<b>CASH PROVIDED FROM (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	(1,275,304)	(1,577,013)	(1,918,326)	(2,453,929)
Items not affecting cash				
Stock-based compensation	265,298	-	265,298	11,752
Gain on sale of long-term investment	-	-	(20,710)	-
	(1,010,006)	(1,577,013)	(1,673,738)	(2,442,177)
Changes in non-cash working capital (Note 13)	(144,945)	361,876	(306,300)	3,677
	<u>(1,154,951)</u>	<u>(1,215,137)</u>	<u>(1,980,038)</u>	<u>(2,438,500)</u>
<b>INVESTING ACTIVITIES</b>				
Expenditures on mineral property interests	-	(120,844)	(99,626)	(157,656)
Loan to Panthera Exploration Inc.	(150,000)	-	(150,000)	-
Proceeds on sale of long-term investment	-	-	207,102	-
Decrease (increase) in short-term investments	(700,000)	1,000,000	(225,000)	2,400,000
	<u>(850,000)</u>	<u>879,156</u>	<u>(267,524)</u>	<u>2,242,344</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares and warrants	2,276,000	-	3,054,350	168,000
Share and warrant issue costs	(168,669)	-	(205,916)	-
	<u>2,107,331</u>	<u>-</u>	<u>2,848,434</u>	<u>168,000</u>
<b>INCREASE (DECREASE) IN CASH</b>	102,380	(335,981)	600,872	(28,156)
<b>CASH - BEGINNING OF PERIOD</b>	<u>870,633</u>	<u>597,667</u>	<u>372,141</u>	<u>289,842</u>
<b>CASH - END OF PERIOD</b>	<u><u>973,013</u></u>	<u><u>261,686</u></u>	<u><u>973,013</u></u>	<u><u>261,686</u></u>

**SUPPLEMENTARY CASH FLOW INFORMATION** (Note 13)

*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 SIX MONTHS ENDED JUNE 30, 2009**  
*(Unaudited - Expressed in Canadian Dollars)*

**ACQUISITION COSTS**

	<u>Argentina</u>						<u>Peru</u>	<u>Colombia</u>	<u>Total</u>
	<u>Valle de Cura</u>	<u>Poncha</u>	<u>Jujuy</u>	<u>Pescado</u>	<u>Neuquen</u>	<u>Other</u>	<u>Rio Tabaconas</u>	<u>La Morena</u>	<u>\$</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>BALANCE – BEGINNING OF PERIOD</b>	638,197	141,192	10,395	30,021	2,139	32,537	1,310,867	-	2,165,348
<b>ACQUISITION COSTS DURING THE PERIOD:</b>									
Cash	-	-	-	-	-	-	-	99,626	99,626
<b>BALANCE - END OF PERIOD</b>	<u>638,197</u>	<u>141,192</u>	<u>10,395</u>	<u>30,021</u>	<u>2,139</u>	<u>32,537</u>	<u>1,310,867</u>	<u>99,626</u>	<u>2,264,974</u>

**EXPLORATION EXPENDITURES**

	<u>Argentina</u>						<u>Peru</u>	<u>Colombia</u>	<u>Total</u>
	<u>Valle de Cura</u>	<u>Poncha</u>	<u>Jujuy</u>	<u>Pescado</u>	<u>Neuquen</u>	<u>Other</u>	<u>Rio Tabaconas</u>	<u>La Morena and Other</u>	<u>\$</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CUMULATIVE EXPLORATION COSTS EXPENSED – BEGINNING OF PERIOD</b>	<u>1,723,366</u>	<u>2,070,677</u>	<u>2,038,455</u>	<u>840,915</u>	<u>183,411</u>	<u>225,130</u>	<u>3,079,940</u>	<u>-</u>	<u>10,161,894</u>
<b>EXPLORATION EXPENDITURES DURING THE PERIOD:</b>									
Assays	-	28,423	-	-	-	-	-	-	28,423
Communications	11	2,955	-	-	-	7	-	-	2,973
Drilling	-	347,230	-	-	-	-	-	-	347,230
Property maintenance payments	-	-	-	-	-	-	21,822	-	21,822
Office	307	215,411	727	-	1,152	2,558	26,809	-	246,964
Salaries and contractors	97	275,394	632	-	4,142	1,465	107,413	70,366	459,509
Supplies and equipment	35	61,577	-	-	-	24	-	-	61,636
Transportation	634	72,316	223	-	145	1,487	2,006	-	76,811
Social	-	3,895	-	-	-	-	15,730	-	19,625
Statutory and Tax	-	10,911	-	-	-	-	10,154	-	21,065
IVA	122	114,834	178	-	614	625	11,568	-	127,941
	<u>1,206</u>	<u>1,132,946</u>	<u>1,760</u>	<u>-</u>	<u>6,053</u>	<u>6,166</u>	<u>195,502</u>	<u>70,366</u>	<u>1,413,999</u>
<b>CUMULATIVE EXPLORATION COSTS EXPENSED – END OF PERIOD</b>	<u>1,724,572</u>	<u>3,203,623</u>	<u>2,040,215</u>	<u>840,915</u>	<u>189,464</u>	<u>231,296</u>	<u>3,275,442</u>	<u>70,366</u>	<u>11,575,893</u>

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

**1. NATURE OF OPERATIONS**

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

The Company is in the process of exploring its mineral properties and evaluating other mineral properties in South America. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations to date and consequently is considered to be in the exploration stage. The amounts shown as mineral properties represent acquisition 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 properties are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality.

As these unaudited interim consolidated financial statements do not contain all of the disclosures required by GAAP, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2008.

The accounting policies followed by the Company are set out in note 3 to the audited consolidated financial statements for the year ended December 31, 2008, and have been consistently followed in the preparation of these consolidated financial statements except that the Company has adopted the following CICA standard effective January 1, 2009.

***Recent Accounting Pronouncements***

***Goodwill and Intangible Assets***

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. On January 1, 2009, the Company adopted these changes, with no impact on its consolidated financial statements.

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

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

***Credit Risk and Fair Value of Financial Assets and Liabilities***

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the company's financial statements.

***Mining Exploration Costs***

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the company's financial statements.

***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.

**GOLDEN ARROW RESOURCES CORPORATION**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**  
*(Unaudited - Expressed in Canadian Dollars)*

**3. CHANGE IN ACCOUNTING POLICY**

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to be more relevant. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties held directly or through an investment and only wrote down capitalized costs when the property was abandoned or if the capitalized costs were not considered to be economically recoverable.

Exploration expenditures are now charged to operations as they are incurred until the property reaches development stage. All direct costs related to the acquisition of mineral property interests will continue to be 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.

The Company has accounted for this change in accounting policy on a retrospective basis. The impact of this change on the previously reported June 30, 2008 consolidated financial statements is as follows:

	As previously reported \$	Restatement \$	As restated \$
Mineral property interests as at June 30, 2008	10,918,117	(8,426,388)	1,934,505
FIT Liability as at June 30, 2008	970,481	(970,481)	-
Exploration expense for the period ended June 30, 2008	535,033	878,966	1,413,999
Loss for the period ended June 30, 2008	(1,047,416)	(1,933,596)	(2,453,929)
Loss per share for the period ended June 30, 2008	(0.07)	(0.09)	(0.16)
Deficit at June 30, 2008	(8,615,724)	(8,013,133)	(16,628,857)
Cash flows from operating activities for the period ended June 30, 2008	(1,257,861)	(1,180,639)	(2,438,500)
Cash flows from investing activities for the period ended June 30, 2008	1,061,705	1,180,639	2,242,344
Supplemental cash flow information:			
Accounts payable for the three months ended June 30, 2008	234,767	35,030	269,797
Accounts payable for the six months ended June 30, 2008	225,874	(212,553)	13,321

**GOLDEN ARROW RESOURCES CORPORATION**  
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**FOR THE SIX MONTHS ENDED JUNE 30, 2009**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. SHORT-TERM INVESTMENTS**

As at June 30, 2009 and December 31, 2008, the Company held the following term deposits:

	<b>June 30, 2009</b>	
	<b>Maturity</b>	<b>Fair Value</b>
		<b>\$</b>
12 month term deposit		
- 3.15% annual interest rate (\$175,000 principal)	August 12, 2009	179,888
12 month term deposit		
- 0.35% annual interest rate (\$700,000 principal)	April 21, 2010	700,463
Total short-term Investment		880,351

	<b>December 31, 2008</b>	
	<b>Maturity</b>	<b>Fair Value</b>
		<b>\$</b>
12 month term deposit		
- 3.15% annual interest rate (\$650,000 principal)	August 12, 2009	657,878

All term deposits are redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed once past the initial 30 days from the date of investment.

**5. MARKETABLE SECURITIES**

At June 30, 2009, the Company held 230,990 (2008 – 230,990) common shares of Panthera Exploration Inc. ("Panthera") which had a quoted market value of \$25,409 (December 31, 2008 - \$16,169). Panthera and the Company have directors and an officer in common. 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 \$9,240 was recorded for the period ended June 30, 2009. In 2008, management determined that the decrease in fair value of Panthera was other than temporary. As a result a loss of \$866,692 was recorded in Other income (expenses) in the period. 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.

**6. LONG-TERM INVESTMENTS**

As at June 30, 2009 the Company did not hold any asset-backed commercial paper. As at December 31, 2008, the Company held asset-backed commercial paper as follows:

	<b>December 31, 2008</b>	
	<b>Principal</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>
Asset-backed commercial paper	207,102	186,392

Based on the assessment of fair value as at December 31, 2008, the Company recorded in income an impairment loss of \$20,710 related to this investment, representing a 10% valuation allowance of the original principal amount. On February 5, 2009 the Company received \$214,661 for the principal and unpaid interest. As a result, a recovery of \$20,710 was recorded during the period.

**GOLDEN ARROW RESOURCES CORPORATION**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2009**

(Unaudited - Expressed in Canadian Dollars)

**7. ROYALTY REVENUE**

On May 29, 2009 the Company received \$138,658 USD (\$169,375 CDN) from Yamana Gold Inc. ("Yamana") as its first payment of the Company's 1% net smelter returns royalty from the initial production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina. On July 31, 2009 the Company received its second royalty payment from Yamana in the amount of \$206,988 USD (\$223,340 CDN).

Regular quarterly payments are scheduled to be made on January 1<sup>st</sup>, April 30<sup>th</sup>, July 31<sup>st</sup> and October 31<sup>st</sup> of each year of the mine life.

**8. MINERAL PROPERTY INTERESTS**

The schedule below summarizes all costs incurred to date for each mineral property interest that the company is continuing to explore as at June 30, 2009 and December 31, 2008:

	June 30, 2009			December 31, 2008		
	Acquisition Costs \$	Exploration Expenditures \$ Restated Note 15	Total \$ Restated Note 15	Acquisition Costs \$	Exploration Expenditures \$	Total \$
Argentina						
Valle de Cura	638,197	1,724,572	2,362,769	638,197	1,723,366	2,361,563
Poncha	141,192	3,203,623	3,344,815	141,192	2,070,677	2,211,869
Jujuy	10,395	2,040,215	2,050,610	10,395	2,038,455	2,048,850
Pescado	30,021	840,915	870,936	30,021	840,915	870,936
Neuquen	2,139	189,464	191,603	2,139	183,411	185,550
Other	32,537	231,296	263,833	32,537	225,130	257,667
	854,481	8,230,085	9,085,566	854,481	7,081,954	7,936,435
Peru						
Rio Tabaconas	1,310,867	3,275,442	4,586,309	1,310,867	3,079,940	4,390,807
Colombia						
La Morena	99,626	70,366	169,992	-	-	-
	2,264,974	11,575,893	13,841,867	2,165,348	10,161,894	12,327,242

(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) Poncha Property, Argentina

Effective March 30, 2007, the Company entered into an option agreement with Teck Resources Limited through its subsidiary Teck Cominco Argentina Ltd. ("Teck Resources") to earn an undivided 100% interest in Teck Resources' 100% option for the Poncha gold-copper project located in San Juan Province, Argentina.

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**FOR THE SIX MONTHS ENDED JUNE 30, 2009**  
*(Unaudited - Expressed in Canadian Dollars)*

**8. MINERAL PROPERTY INTERESTS (continued)**

The amended agreement requires the Company to undertake work expenditures on the property totaling US\$3,200,000 and make payments totaling US\$3,098,000 to the underlying property owner over three years as follows:

Exploration Expenditures US \$	Amended Option Payments US \$	Date
650,000	-	April 1, 2008 (incurred)
-	125,000	May 10, 2008 (Paid)
1,000,000	-	April 1, 2009 (incurred)
-	78,000	May 10, 2009 (Paid)
1,550,000	-	April 1, 2010
-	78,000	May 10, 2010
-	78,000	May 10, 2011
-	78,000	May 10, 2012
-	78,000	May 10, 2013
-	78,000	May 10, 2014
-	78,000	May 10, 2015
-	78,000	May 10, 2016
-	2,349,000	May 10, 2017*
<u>3,200,000</u>	<u>3,098,000</u>	

*\*The Company will pay \$750,000 USD on first publication of any 43-101 compliant resource greater than 500,000 oz gold and \$1,521,000 USD will be paid on publication of a bankable feasibility study. The property owners have the right to terminate the agreement if the aforementioned payments have not been made before May 10, 2017.*

The underlying owner will retain a 1% NSR royalty in the property. Teck Resources has an option to re-acquire up to a 65% interest in the Poncha Property through a “Back-In” right and an “Additional Earn-In” right. In order to exercise its initial Back-In right to acquire a 55% interest, Teck Resources is required to fund expenditures equal to twice the Company’s expenditures (to a maximum of US\$6,400,000). To increase its interest to 65% Teck Resources would need to spend a further US\$10,000,000. The Agreement provides that under certain conditions Teck Resources may contribute to a percentage of the payments to the underlying property owner. Also, Teck Resources reserves a 1% NSR royalty if it chooses not to exercise its back-in right.

(c) Mogote Property, Argentina

The Company has agreements with Panthera, a publicly traded company with directors and an officer in common, whereby Panthera optioned the Company its Mogote Property in the NW San Juan Region of Argentina. Panthera earned a 51% interest in the Mogote Property by issuing a total of 1,650,000 of its common shares to the Company and incurring US \$1.25 million of expenditures.

On May 14, 2007, Panthera gave notice to the Company that it will not incur the additional expenditures required in order to earn an additional 24% interest.

The Company’s carrying value for the Mogote mineral property is nil.

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

**8. MINERAL PROPERTY INTERESTS** (continued)

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. See subsequent events for details.

(d) Rio Tabaconas, Peru

The Company holds an option to acquire a 100% interest in three concessions, in the Cajamarca Department of San Ignacio Province in northern Peru. Under the terms of the option agreement, the Company has paid US \$185,000 and is required to make further payments of US\$1,315,000 for a total of US\$1,500,000. On June 28, 2002, the Company suspended further exploration activities at the Rio Tabaconas project. This decision was made in response to the local community expressing its concerns with mineral exploration activities. The Company has deferred any further exploration until an agreement with the local community has been finalized. As a result the Company declared force majeure, as allowed under its option agreement. Accordingly, the Company and the optionor have deferred payment of the remaining option payments until the force majeure is discontinued. On August 1, 2003, the Company commenced paying US\$1,500 per month to the optionor as compensation during this waiting period. In 2006, the Company renegotiated the option agreement on Rio Tabaconas project and starting July 2006 commenced paying US\$3,000 per month to the optionor. The force majeure is still in effect as at June 30, 2009.

(e) La Morena Gold Project, Colombia

On March 2, 2009, the Company entered into an option agreement with an initial payment of US\$80,000 for the La Morena Gold Project. The project is located in Quindio Department, Colombia. To earn a 100% interest, the Company will make cash payments totalling US\$1,955,000 over the next five years as follows:

Option Payments US \$	Date
80,000	March 2, 2009 (Paid)
125,000	January 16, 2010
200,000	January 15, 2011
350,000	January 14, 2012
500,000	January 12, 2013
<u>700,000</u>	January 11, 2014
<u><u>1,955,000</u></u>	

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

**9. SHARE CAPITAL**

Authorized: unlimited common shares without par value

Issued:	June 30, 2009		December 31, 2008	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	15,468,655	9,144,655	15,258,655	8,936,344
Private placements	14,243,000	3,041,850	-	-
Warrant valuation	-	(720,446)	-	-
Share issue costs	-	(158,320)	-	-
Reallocation of warrant equity on the exercise of warrants	-	2,203	-	40,311
Exercise of warrants	50,000	12,500	210,000	168,000
Balance, end of period	29,761,655	11,322,442	15,468,655	9,144,655

(a) During the period ended June 30, 2009:

- i) The Company completed a non-brokered private placement financing of 5,189,000 units at a price of \$0.15 per unit, for net proceeds of \$739,668 net of related share issue costs of \$38,682. 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. The fair value assigned to the warrants was \$228,661. The warrants were valued using the Black-Scholes Pricing Model at \$0.04 per warrant on the following assumptions: dividend yield 0%, risk-free rate 1.44%, expected volatility 98% and expected life of 1.22 years.
- ii) The Company completed a non-brokered private placement financing of 9,054,000 units at a price of \$0.25 per unit, for net proceeds of \$2,096,266 net of related share issue costs of \$167,234. 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. The fair value assigned to the warrants was \$491,785. The warrants were valued using the Black-Scholes Pricing Model at \$0.07 per warrant on the following assumptions: dividend yield 0%, risk-free rate 1.04%, expected volatility 100% and expected life of 1.08 years.

(b) Stock options and stock-based compensation

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The stock options granted vest immediately and are subject to a four month hold period and exercisable for a period of five years. 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.

**GOLDEN ARROW RESOURCES CORPORATION***(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED JUNE 30, 2009***(Unaudited - Expressed in Canadian Dollars)***9. SHARE CAPITAL (continued)**

During the six months ended June 30, 2009, the Company granted stock options to directors, employees and consultants to acquire 1,650,000 (June 30, 2008 – 45,000) common shares of the Company and recorded compensation expense of \$265,298 (June 30, 2008 - \$11,752) with a corresponding increase in contributed surplus as a result. The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the grant made during the period:

Three Months Ended	June 30, 2009	June 30, 2008
Risk-free interest rate	0.87%	3.45%
Estimated volatility	85%	74%
Expected life	3 years	3.2 years
Expected dividend yield	0%	0%

The weighted average fair value of the stock options granted during the year, calculated using the Black-Scholes Option Pricing Model, was \$0.16 (2008 - \$0.26) per share. Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the changes in the Company's outstanding stock options for the six months ended June 30, 2009 is presented below:

	Number
Balance, December 31, 2008	1,293,900
Stock options granted	1,650,000
Stock options expired	<u>(20,000)</u>
Balance, June 30, 2009	<u><u>2,923,900</u></u>

Stock options outstanding and exercisable at June 30, 2009, are as follows:

Number	Exercise Price \$	Expiry Date
610,900	0.75	September 23, 2010
75,000	0.80	March 15, 2012
588,000	1.00	September 12, 2012
<u>1,650,000</u>	0.35	October 17, 2010
<u><u>2,923,900</u></u>		

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

**9. SHARE CAPITAL** (continued)

(c) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at June 30, 2009 and the changes for the period is as follows:

	Number	\$
Balance, December 31, 2008	3,993,600	795,128
Warrants issued	14,243,000	720,446
Warrants exercised	(50,000)	(2,203)
Warrants expired	(3,993,600)	-
Warrant issue costs	-	(47,596)
Balance, June 30, 2009	<u>14,193,000</u>	<u>1,465,775</u>

Common shares reserved pursuant to warrants outstanding at June 30, 2009 are as follows:

Number	Exercise Price \$	Expiry Date
5,139,000	0.25	January 9 , 2011
<u>9,054,000</u>	0.40	October 17 , 2010
<u>14,193,000</u>		

**10. CONTRIBUTED SURPLUS**

A continuity summary of contributed surplus is presented below:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
	\$	\$
Balance, beginning of period	12,510,396	12,498,644
Stock options granted	<u>265,298</u>	<u>11,752</u>
Balance, end of period	<u>12,775,694</u>	<u>12,510,396</u>

**11. RELATED PARTY TRANSACTIONS**

The Company engages Grosso Group Management Ltd. ("Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA and Blue Sky Uranium Corp. ("Blue Sky"), each of which owns one share. IMA and Blue Sky have directors and officers in common with the Company. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services, office and sundry and rent, parking and storage. The shareholder companies pay monthly fees based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000.

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

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

During the six months ended June 30, 2009, the Company incurred fees of \$299,946 (2008 - \$246,292): a total of \$293,039 (2008 - \$267,552) was paid in monthly payments and \$6,907 is included in amounts payable (2008 - \$21,260 in amounts receivable and pre-pays) as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. In addition, included in deposits is an \$85,000 (2008 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

Effective May 1, 2007, the Company entered into an agreement with IMA to pay a monthly fee for the services provided by IMA's Chief Executive Officer who is also the Chief Executive Officer of the Company. The agreement may be terminated at any time by the Company upon 30 days written notice. For the six months ended June 30, 2009, the Company paid \$18,000 (2008 - \$18,000) to IMA for the services.

On June 17, 2009, the Company made a loan of \$150,000 to Panthera which will be considered as a partial payment when the Mogote property is transferred.

The Company, Blue Sky and IMA share office space and costs in Mendoza, Argentina.

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 involved in mineral exploration and development activities, which are conducted principally in Argentina, Colombia and Peru. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results. The Company has begun receiving royalty revenue in Argentina totalling \$392,715 for the six months ended June 30, 2009.

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

	<b>June 30, 2009</b>				<b>Total</b>
	<b>Corporate Canada</b>	<b>Mineral Operations Argentina</b>	<b>Mineral Operations Peru</b>	<b>Mineral Operations Colombia</b>	
	\$	\$	\$	\$	\$
Current assets	1,754,284	396,658	103,484	20,565	2,274,991
Deposit	85,000	-	-	-	85,000
Loan receivable	150,000				150,000
Mineral property interests	-	854,481	1,310,867	99,626	2,264,974
	<u>1,989,284</u>	<u>1,251,139</u>	<u>1,414,351</u>	<u>120,191</u>	<u>4,774,965</u>

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

**12. SEGMENTED INFORMATION (continued)**

	December 31, 2008				Total \$
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Mineral Operations Colombia \$	
Current assets	1,007,116	44,984	22,975	114,529	1,189,604
Deposit	85,000	-	-	-	85,000
Long-term investment	186,392	-	-	-	186,392
Mineral property interests	-	854,481	1,310,867	-	2,165,348
	<u>1,278,508</u>	<u>899,465</u>	<u>1,333,842</u>	<u>114,529</u>	<u>3,626,344</u>

**13. SUPPLEMENTAL CASHFLOW INFORMATION**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 \$	2008 \$ Restated – Note 3	2009 \$	2008 \$ Restated – Note 3
<b>Change in non-cash working capital</b>				
Other receivables and prepaids	(156,317)	92,079	(252,802)	3,522
Accrued interest	(1,838)	-	2,526	(13,166)
Accounts payable	13,210	269,797	(56,024)	13,321
	<u>(144,945)</u>	<u>361,876</u>	<u>(306,300)</u>	<u>3,677</u>

**14. SUBSEQUENT EVENTS**

On July 30, 2009, the Company completed a non-brokered private placement financing of 5,115,000 units at a price of \$0.25 per unit for net proceeds of \$1,199,450, net of related share issue costs of \$79,300. 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 December 30, 2010.

On June 3, 2009 the Company announced that it had entered into an agreement to acquire from Panthera four Peruvian property concessions and the remaining 51% interest in the Mogote property not already held by the Company for \$150,000 USD. This transaction received shareholder approval on July 22, 2009 and regulatory approval July 29, 2009.

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

**15. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

Exploration expenditures are presented in the consolidated schedule of mineral property interests. Subsequent to filing, the Company became aware that it contained several errors. The Company has concluded that, although the information contained in this schedule does not agree to the exploration expense on the statement of operations, this error is neither substantive nor material. The Company has corrected the disclosure and amended the consolidated schedule of mineral property interests and the mineral property table disclosed in Note 8.

The restatement does not impact the consolidated statements of operations, deficit or cash flows of the Company.