GOLDEN ARROW RESOURCES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2007

Introduction

The following management discussion and analysis and financial review, prepared as of August 29, 2007, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2007 and audited consolidated financial statements and related notes for the year ended December 31, 2006. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward- looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Argentina and Peru will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Overview

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 a natural resource company engaged in the business of acquisition and exploration of mineral properties in Argentina, Peru and Colombia. The Company's strategy is to acquire properties for the purpose of mineral exploration and exploitation. In the event the Company discovers mineralization capable of economic production, it intends to develop or seek a joint venture partner and/or to sell all or a portion of its interest in the subject property to finance the development of such property and/or use the funds to develop other properties. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of this date the Company is an exploration stage company and has not generated any revenues. There is no assurance that a commercially viable mineral deposit exists on any of the properties. Further exploration will be required before a final evaluation as to the economic and legal feasibility of any of the properties is determined.

Principal Properties

For a more detailed discussion of the acquisition and development of the Company's principal properties prior to January 1, 2007, reference should be made to the December 31, 2006 Management Discussion and Analysis.

Argentina

Valle de Cura

The Company has eight exploration properties in the Valle de Cura region. In 2007, the Company plans to continuing evaluating potential partners to advance the drill ready Rio de las Taguas and Porterillos properties and the other, earlier-stage exploration properties in the area.

Jujuy

The Company currently has three properties in the province of Jujuy in northern Argentina: the Antiguyo Property (Antiguyo I and II), the San Jose Property and the Timon Cruz Property. These properties mainly cover lode and bulk tonnage gold targets hosted by folded Ordovician sediments. The properties lie within the Sierra Rinconada, a northeast-trending belt measuring 30km by 130km that has a long history of gold production dating back to Inca times. More concessions have been applied for and remain to be granted.

Antiguyo Gold Property, Jujuy

The Antiguyo I and II, together cover 5,643 hectares. In 2006 surface channel sampling, soil grid sampling and composite talus fines sampling programs were carried out on the southern portion of the property and reconnaissance sampling was carried out over the northern portion. Several high-grade gold-bearing quartz veins have been identified on the southern portion of the property. The Company is currently evaluating potential drill targets on the property.

San Jose Gold Property, Jujuy

The San Jose gold property covers 1,985 hectares in the Sierra Rinconada. The property hosts high-grade gold quartz vein occurrences and stockwork-related bulk-tonnage style gold mineralization. Rock sampling, phase I and II soil programs and phase I and II trenching programs were carried out in 2006. With the results reported to date, the Company has now identified four significant zones along a 1.2km trend with bulk-tonnage gold grades on the project. Future exploration on the San Jose gold property will be oriented towards gaining better definition on the known zones and to refining drill targets. A 2500m drill program has been permitted and is scheduled to be carried out in Q4 2007.

Timon Cruz Gold Property, Jujuy

The Timon Cruz gold property covers 2,000 hectares in the Sierra de Rinconada. Gold mineralization in the district is commonly related to quartz veins hosted in a folded and faulted sequence of Ordovician rocks. In general, mineralization extends along the fold trend and seems to be located in first-order anticlines. Initial exploration work that included reconnaissance mapping, rock-sampling and soil sampling was carried out in 2006. The next phase of exploration work at Timon Cruz will involve extension of the soil grid, surface chip and channel rock sampling, and geologic and structural mapping of the claimed area.

Gualcamayo, San Juan

The Company has four exploration properties in the Gualcamayo area of San Juan: Sierra Pescado I, Sierra Pescado II, Durazno and Yanso. The Company is performing detailed and reconnaissance surface exploration programs on these properties and is planning on executing airborne geophysical surveying in Q3 2007. In addition the Company has a 1% NSR on Yamana Gold Inc.'s (formerly Viceroy Exploration Ltd.) Gualcamayo advanced stage gold project, which is expected to commence production in 2008.

Pescado I and II Project, Gualcamayo Area, San Juan

The Sierra Pescado I and II properties are located on to the south of the Gualcamayo gold deposit, currently being advanced by Yamana Gold Inc., in a simlar geological and structural setting. Surface exploration of the properties in the past quarter reported has revealed gold anomalies in stream, soil and rock samples.

Stream sediment sampling of dry tributary creeks covering the length of the two properties has identified a northerly-trending gold anomaly over 4.8km long covering all of the Pescado I cateo and the northern portion of Pescado II. Of 73 stream sediment samples collected in the Pescado area, 62 contained gold exceeding detection ranging from 5 ppb to 486 ppb. The anomalous stream sediment samples are associated with areas underlain by dioritic, dacitic and andesitic rocks hosted in a sedimentary sequence.

A follow-up soil survey was conducted to cover the area of anomalous stream sediment samples in order to delineate gold anomalies. A total of 154 samples were collected along 200m spaced east-west lines at 200m intervals. The soils defined a large gold anomaly measuring 2.8km by 1.1km with values up to 189 ppb gold. Areas of particular interest include a strong northwest-oriented gold anomaly in the north-eastern portion of the grid. A more detailed survey with 55 additional samples collected on 100m centres was carried out in this area. The soil samples defined a northwest-trending anomaly with gold values greater than 25 ppb that measures 1000m by 550m. Samples with gold contents higher than 100 ppb, and as high as 508 ppb, delineate the 500m by 200m core of the anomaly. The most anomalous areas correspond to zones with elevated Fe-oxide staining caused by sulphide oxidation in rocks.

Several historical workings developed on structurally-controlled quartz-sulphide veins are located within Fe-stained zones near the Pescado River. Preliminary sampling of these has returned anomalous gold values ranging up to 2.3 g/t (ppm) gold.

Field crews are currently working in the area to further delineate targets through continued soil sampling, geological mapping, hand trenching, rock and channel sampling. A helicopter-borne geophysical survey has been arranged and is scheduled to commence in September.

Analyses for the samples collected at Pescado I and II were performed by Alex Stewart (Assayers) Argentina S.A. (“Alex Stewart), an internationally recognized assay service provider, in Mendoza, Argentina. Exploration work was carried out under the supervision of the Company’s Argentine Exploration Manager Diego Charchaflié, M.Sc. The technical information above has been reviewed by Dr. David A. Terry, P.Geo., director and Vice President Exploration, and a Qualified Person as defined in National Instrument 43-101.

Poncha, San Juan

In April 2007, the Company entered into an option agreement with Teck Cominco Limited through its subsidiary Teck Cominco Argentina Ltd. (“Teck Cominco”) to earn an undivided 100% interest in the interest held by Teck Cominco in the 3,000 ha Poncha gold-copper project located in San Juan Province, Argentina.

The Agreement requires the Company to undertake work expenditures on the property totaling US$3,200,000 over three years with a first year’s commitment of US$650,000. Teck Cominco will manage the first exploration program under a six month management contract with the Company. In addition the Company is responsible for payments totaling US$2,880,000 to the underlying property owner over three years. The underlying owner will retain a 1% NSR royalty in the property. Teck Cominco has an option to re-earn 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 Cominco 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 Cominco would need to spend a further US$10,000,000. Also Teck Cominco reserves a 1% NSR royalty if it chooses not to exercise its initial back-in right.

As part of the agreement, Teck Cominco Limited purchased 600,000 shares of the Company for $750,000 in conjunction with the Company’s June 13, 2007 non-brokered private placement (See “Liquidity and Capital Resources” section below). In addition, the Agreement provides that under certain conditions Teck Cominco may contribute to a percentage of the payments to the underlying property owner.

A 10-12 hole 3,000m diamond drill program commenced in the spring on Poncha gold-copper project. Onset of winter conditions resulted in the suspension of the program prior to its completion. Drilling will resume later in 2007 once weather conditions improve.

Teck Cominco has discovered a potentially large gold-mineralized hydrothermal system on the Poncha property with two target-types identified. A bulk tonnage gold-copper zone in a porphyry environment occurs on the northern part of the property; samples have assayed up to 7,200 ppm copper and 4.7 g/t gold, and a structural and breccia-related higher-grade gold target in an epithermal setting is located 2km to the south; grab samples have yielded up to 42.49 g/t gold. The current drill program will initially focus on the 2km by 2km southern gold target.

The work to date on the Poncha Project was carried out by Teck Cominco. All analytical work was carried out by Alex Stewart, an internationally accredited assay laboratory. Dr. David A. Terry, P.Geo., director and Vice President Exploration, and a Qualified Person as defined in National Instrument 43-101 has also reviewed the technical information.

Other

The Company has agreements with Amera, a publicly traded company with common management and directors, whereby the Company optioned its Mogote Property in the NW San Juan Region of Argentina. Amera has exercised the option to earn a 51% interest in the Mogote Property. Amera has fulfilled the option requirements to issue a total of 1,650,000 of its common shares to the Company and to incur US $1.25 million of expenditures.

During the 2007 period, Amera issued 900,000 of its common shares to the Company (recorded at fair value of $333,000) as the final share issuance under the option agreement.

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

Amera carried out exploration drilling programs on the Mogote property in 2004 and 2005 to test the Filo Este and Filo Central targets. Wide intercepts of anomalous copper-gold mineralization were encountered in each drill program.

The Company has carried out minor surface exploration programs on its other two properties in northwestern San Juan in 2005. There are no current plans for further work on these two properties.

The Company's Argentine-based exploration team is currently conducting exploration programs to assess a number of the properties currently in its portfolio and initiating generative programs to identify targets in high-potential mineral districts in Argentina such as western Jujuy. In addition the Company is currently evaluating a number of potential acquisitions. The Company will continue to lever its exploration expenditures through joint-venturing projects with high quality partners.

Peru

Rio Tabaconas

The Company had previously declared force majeure, as allowed under the property option agreement, on the property payments for this project. The Company is maintaining these properties in good standing.

Effective April 1, 2007, the Company retained Gestora De Negocios e Inversiones ("GNI") and its president, Augusto Baertl, to assist in reopening negotiations with the stakeholders in the local communities, the Church and the government. Based in Lima Peru, Mr. Baertl is well known in the mining and business communities in Peru and internationally, the Company is fortunate to have obtained his services. GNI will prepare and present a plan to the Company with their proposals to reopen the negotiations. The goal of resuming exploration activities on the project is a difficult one. The Company thinks that there may now be an opportunity for progress in preparing for the resumption of exploration work on the Rio Tabaconas project. It is the Company's intention to work with the stakeholders to assure them that the project is to the benefit of all and will be managed in an envoirnmentally and socially responsible manner.

Colombia

Effective January 30, 2007, the Company entered into a 50/50 joint venture with Amera to evaluate and acquire precious and base metal properties in Colombia. The joint venture has hired an operations manager and retained contract exploration personnel. In addition, the joint venture is in the process of evaluating a number of opportunities but has not acquired any mineral properties to date. The Company believes that Colombia represents an opportunity as it has high geological potential. Furthermore, the security and investment climate of the country has significantly improved in recent years.

Selected Quarterly Financial Information and Second Quarter Discussion

The following selected consolidated financial information is derived from the unaudited consolidated interim financial statements of the Company. The information has been prepared in accordance with Canadian GAAP.

	2007		2006				2005	
	Jun. 30 $	**March 31 $**	**Dec. 31 $**	**Sept. 30 $**	**Jun. 30 $**	**Mar. 31 $**	**Dec. 31 $**	**Sept. 30 $**
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(76,568)	(376,754)	(617,468)	(99,953)	141,084	(136,803)	(41,778)	(390,281)
Net Loss per Common Share Basic and Diluted	(0.01)	(0.04)	(0.08)	(0.01)	0.02	(0.02)	(0.01)	(0.05)

For the three months ended June 30, 2007, the Company recorded a net loss of $76,568, an increase in loss of $217,652 from the net income of $141,064 earned in the three months ended June 30, 2006. The increase in loss is primarily a result of:

(i) a $268,713 increase in operating loss to $420,528 in the 2007 period from $151,815 in the 2006 period as a result of increased activities;

(ii) the $330,000 gain on disposition of mineral properties in the 2007 period compared to $Nil in the 2006 period as a result of the Company receiving 900,000 shares from Amera in respect to the option on its Mogote Property;

(iii) the $458,219 gain on disposition of marketable securities in the 2006 period from the sale marketable securities obtained through the optioning of the Company's mineral properties. No marketable securities were disposed of in the 2007 period; and,

(iv) the $176,990 write-off of the Company's Chubut area mineral properties in the 2006 period. No mineral property costs were written off in the 2007 period.

Summary of Financial Results

The Company reported a consolidated loss of $453,322 ($0.05 per share) during the six months ended June 30, 2007 an increase in loss of $457,603 from the net income of $4,281 ($0.00 per share) earned for the six months ended June 30, 2006. The increase in consolidated loss in the 2007 period is due to the number of factors of which $500,038 can be attributed to an increase in operating expenses which is partially offset by the $43,434 increase in other income items.

Results of Operations

The Company's operating expenses for six months ended June 30, 2007 were $803,910 compared to $303,873 in the period ended June 30, 2006. Significant expenditures were incurred in the following categories:

(i) Salaries increased $102,717 to $168,928 in the 2007 period due to increases in staff and activity levels. The salary expense is comprised of an allocation of fees from Grosso Group Management Ltd. ("Grosso Group" – see discussion in related parties below).

(ii) General exploration increased to $330,968 in the 2007 period from $89,872 in the 2006 period due to the increase of exploration activities in Argentina, Colombia and Peru.

(iii) Corporate development and investor relations costs increased $70,718 primarily due to increased participation in investor and industry conferences in the 2007 period as well as increased use of external investor relations consulting services.

(iv) Office and sundry expenses increased $9,149 to $38,621 in the 2007 period from $29,472 in the 2006 period as a result of increased activity levels in 2007. The office and sundry expense is primarily comprised of an allocation of fees from the Grosso Group.

(v) Travel and accommodation expenses increased $34,849 to $37,995 in the 2007 as a result of increased exploration related travel as well as increased travel to investor and industry conferences.

(vi) Stock based compensation of $27,860 is the estimated fair value of 75,000 stock options granted to a director during the 2007 period. No stock options were granted in the 2006 period. 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.

(vii) Gain on disposition of mineral properties was $333,000 in the 2007 period compared to $Nil in the 2006. The gain represents the fair value of 900,000 shares of Amera the Company received in respect to the option on its Mogote Property.

During the six months ended June 30, 2007 the Company capitalized significant expenditures on the following properties: $606,753 on the Poncha property, $123,346 on the Jujuy properties, $44,300 on the Neuquen property, $29,343 on the Valle de Cura properties, and $251,038 on the Rio Tabaconas property.

Liquidity and Capital Resources

The Company's cash position at June 30, 2007, was $7,037,629 compared to $622,834 at December 31, 2006, with working capital of $8,160,223 compared to $2,271,518 at December 31, 2006. Short-term investments balance decreased to $682,696 at June 30, 2007 from $1,078,251 at December 31, 2006. Total assets increased $7,473,591 to $17,034,571 at June 30, 2007 from $9,560,980 at December 31, 2006. This increase is primarily due to the increase in cash, the increase in the marketable securities balance and the exploration expenditures incurred in the 2007 period which were capitalized to mineral properties and deferred costs and is partially offset by the decrease in short-term investments.

As the Company is an exploration stage company, revenues are limited to interest earned on cash held with the Company's financial institutions. In the period ended June 30, 2007 the Company recorded interest income of $36,114 compared to $31,763 in the period ended June 30, 2006.

The Company has financed its operations through the sale of its equity securities. On March 22, 2007, the Company completed a non-brokered private placement financing of 1,550,000 units at a price of $0.65 per unit, for net proceeds of $1,001,963 less related share issue costs of $5,537. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share in the capital of the Company, exercisable at a price of $0.80 during year one and $1.00 during year two. The fair value assigned to the warrants was $282,495. The warrants were valued using the Black-Scholes Pricing Model at $0.18 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 87% and expected life of 12 months.

In addition, on June 13, 2007 the Company completed a non-brokered private placement of 5,420,000 units at $1.25 per unit, for net proceeds of $6,373,209 net of $401,791 in finder's fees and related issue costs. Each unit consisted of one common share and one half of a common share purchase warrant. Each full warrant entitles the holder to purchase one common share in the capital of the Company, exercisable at a price of $1.50 during year one and $1.90 during year two. The fair value assigned to the warrants was $600,058. The warrants were valued using the Black-Scholes Pricing Model at $0.18 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 68% and expected life of 12 months.

During the six months ended June 30, 2007, the Company received $6,075 (2006 – Nil) from the exercise of stock options and $Nil (2006 - $299,110) from the exercise of warrants. As at August 29, 2007, the Company had working capital of approximately $7,100,000.

The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements for further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of or substantial dilution of its interest in its properties.

The Company may elect to acquire new projects, at which time additional equity financing may be required to fund overheads and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plans.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs or the acquisition of projects.

Operating Cash Flow

Cash outflow from operating activities was $300,026 for six months ended June 30, 2007 compared to $335,826 during the period ended June 30, 2006. The increase in cash required for operating activities is a result of the increase in level in activities during the 2007 period and is partially offset by the change in non-cash working capital balance.

Financing Activities

During the six months ended June 30, 2007 the Company received $7,782,500 from private placements less issue costs of $407,328 compared to the receipt of $Nil in the 2006 period. In addition, in the 2007 period the Company received $6,075 (2006 – $Nil) from the exercise of stock options and $Nil (2006 – $299,110) from the exercise of warrants.

Investing Activities

Investing activities consumed cash of $666,426 for the period ended June 30, 2007 compared to $544,924 in the period ended June 30, 2006. In 2007, these investing activities included additions of $1,061,981 to mineral properties and deferred costs and reduction of $395,555 to short-term investments. In 2006, the investing activities included additions of $199,360 to mineral properties and deferred costs, additions of $1,000,000 to short-term investments and proceeds of $654,436 from the sale of marketable securities.

Related Party Transactions

The Company engages the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA, Amera, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees 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. During the six months ended June 30, 2007, the Company incurred fees of $230,715 (2006 - $122,283): $229,775 (2006 - $120,474) was paid in monthly payments and $940 is included in accounts payable and accrued liabilities (2006 - $1,809) 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 amounts receivable, prepaids and deposits is an $85,000 (2006 - $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, 2007, the Company paid $5,000 to IMA for the services.

Contractual Commitments

As of June 30, 2007, the Company had the following US dollar option payment and work expenditure commitments in relation to its mineral property projects:

	Less than 1 year US$	1 to 3 years US$	Greater than 3 years US$	Total US$
US dollar commitments				
Option payments	370,000	2,630,000	-	3,000,000
Work expenditures	650,000 *	2,550,000	-	3,200,000
	1,020,000	5,180,000	-	6,200,000

*As at June 30, 2007 the Company had incurred approximately US$515,000 in exploration work expenditures on the Poncha property that can be applied toward the $650,000 work expenditure commitment.

Note, the above schedule does not include expenditure commitments on the Company's Rio Tabaconas project in Peru which have been suspended while the project is under force majeure. The Company is paying US$3,000 per month to the optionor while the force majeure is in effect.

Further details of the Company's option payments and expenditure commitments are disclosed in Note 5 to the Company's June 30, 2007 interim consolidated financial statements.

Critical Accounting Estimates

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the years ended December 31, 2006, 2005 and 2004. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Recent Accounting Pronouncements

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

(a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation,* prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

(i) Cash and short-term investments are classified as *"Available-for-sale"*. Due to their short-term nature, their carrying value is equal to their fair value.

(ii) Marketable securities are classified as *"Available-for-sale"*. The fair value is obtained by reference to the closing quoted market price on the balance sheet date.

(iii) Amounts receivable, prepaids and deposits and subscription receivable are classified as *"Loans and Receivables"*. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.

(iv) Accounts payable and accrued liabilities are classified as *"Other Financial Liabilities"*. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

(b) Section 1530, *Comprehensive Income,* introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets. As a result of Sections 1530 and 3855, the Company has recorded an unrealized loss of $5,099 on its available-for-sale marketable securities in comprehensive income for the period ended June 30, 2007.

(c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did impact the Company for the period ended June 30, 2007.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations and assessment of carrying values of mineral properties and deferred costs. Actual results may differ from these estimates.

Mineral Properties and Deferred Costs

Consistent with the Company's accounting policy disclosed in Note 2 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company have been capitalized on an individual property basis. For certain acquisitions and related payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount if the expenditures do not have the corresponding tax basis. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property. In the period ended June 30, 2007, no impairment of long-lived assets was identified.

Financial Instruments

The Corporation's financial instruments are comprised of cash, short-term investments, marketable securities, other receivables, prepaids and deposits, subscription receivable and accounts payable and accrued liabilities.

The fair values of cash, short-term investments, amounts receivable, prepaids and deposits, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date. As at June 30, 2007, the fair value of the Company's marketable securities was $877,762.

Risk Factors

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. For a more complete discussion of these risks and others, reference should be made to the December 31, 2006 Management's Discussion and Analysis.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, is made known to management by others within those entities, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the six months ended June 30, 2007 in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

Investor Relations

Mr. Sean Hurd is the Company's Vice-President, Corporate Communications and coordinates investor relations activities.

On May 10, 2007, the Company announced that it had agreed, subject to regulatory approval, to appoint Athenos Consulting Ltd. ("Athenos") to provide assistance in the ongoing development and implementation of a shareholder's communication and development plan. The program will focus on shareholder communications, corporate development and helping to enhance and expand on the large shareholder base enjoyed by the Company at this time.

Athenos is based in London England and will be providing its services on a consulting basis. The Company will pay Athenos the sum of US$5,000 per month for a term of 12 months, with the provision that either party can terminate the contract upon 30-day notice. The Company further confirms that Athenos shall be issued 100,000 stock options, released quarterly over a 12 month period.

The Company also maintains a website at www.goldenarrowresources.com.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common shares without par value. As at June 30, 2007, there were 15,202,255 outstanding common shares and 815,900 stock options, which were outstanding and exercisable, with an exercise prices ranging from $0.75 to $0.80 per share. In addition, as at June 30, 2007, there were 4,260,000 warrants outstanding with exercise prices ranging from $0.80 to $1.50 per share.

As of August 29, 2007, there were 15,252,255 common shares, 815,900 stock options and 4,210,000 warrants outstanding.