
GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2008 AND 2007

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

**MANAGEMENT'S COMMENTS ON UNAUDITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Golden Arrow Resources Corporation for the six months ended June 30, 2008 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

August 28, 2008

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – Expressed in Canadian Dollars)

	June 30, 2008	December 31, 2007
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	261,686	289,842
Short-term investments (Note 3)	2,704,410	5,091,243
Amounts receivable, prepaids and deposits (Note 9)	217,814	221,336
Marketable securities (Note 4)	346,485	415,782
	<u>3,530,395</u>	<u>6,018,203</u>
LONG-TERM INVESTMENT (Note 5)	186,392	186,392
MINERAL PROPERTIES AND DEFERRED COSTS (Note 6)	<u>10,918,117</u>	<u>9,272,032</u>
	<u><u>14,634,904</u></u>	<u><u>15,476,627</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	366,344	353,023
FUTURE INCOME TAX LIABILITY	<u>970,481</u>	<u>888,564</u>
	<u>1,336,825</u>	<u>1,241,587</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 7)	9,144,655	8,936,344
WARRANTS (Note 7)	795,128	835,439
CONTRIBUTED SURPLUS (Note 8)	12,510,396	12,498,644
ACCUMULATED OTHER COMPREHENSIVE LOSS	(536,376)	(467,079)
DEFICIT	<u>(8,615,724)</u>	<u>(7,568,308)</u>
	<u>13,298,079</u>	<u>14,235,040</u>
	<u><u>14,634,904</u></u>	<u><u>15,476,627</u></u>
NATURE OF OPERATIONS (Note 1)		
COMMITMENTS (Note 6)		

APPROVED BY THE BOARD OF DIRECTORS

“Joseph Grosso”, Director

“Arthur Lang”, Director

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
EXPENSES				
Administrative and management	18,180	12,334	37,490	12,334
Corporate development and investor relations	30,579	81,815	114,407	108,875
General exploration	290,247	145,749	535,033	330,968
Office and sundry	71,484	23,351	101,966	52,666
Professional fees	34,292	8,649	47,327	20,674
Rent, parking and storage	16,063	13,577	29,855	27,580
Salaries and employee benefits	93,691	81,794	180,706	168,928
Stock-based compensation	-	27,860	11,752	27,860
Transfer agent and regulatory fees	6,859	9,863	13,561	16,030
Travel and accommodation	21,293	15,536	32,713	37,995
	<u>582,688</u>	<u>420,528</u>	<u>1,104,810</u>	<u>803,910</u>
LOSS BEFORE OTHER ITEMS	<u>(582,688)</u>	<u>(420,528)</u>	<u>(1,104,810)</u>	<u>(803,910)</u>
OTHER INCOME (EXPENSE)				
Foreign exchange	27,211	(11,777)	(22,694)	(18,526)
Gain on disposition of mineral properties (Note 6(d))	-	333,000	-	333,000
Interest and other income	35,146	22,737	80,088	36,114
	<u>62,357</u>	<u>343,960</u>	<u>57,394</u>	<u>350,588</u>
LOSS FOR THE PERIOD	<u>(520,331)</u>	<u>(76,568)</u>	<u>(1,047,416)</u>	<u>(453,322)</u>
DEFICIT - BEGINNING OF PERIOD	<u>(8,095,393)</u>	<u>(6,328,504)</u>	<u>(7,568,308)</u>	<u>(5,951,750)</u>
DEFICIT - END OF PERIOD	<u>(8,615,724)</u>	<u>(6,405,072)</u>	<u>(8,615,724)</u>	<u>(6,405,072)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE				
	<u>(0.03)</u>	<u>(0.01)</u>	<u>(0.07)</u>	<u>(0.05)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	<u>15,468,655</u>	<u>10,849,536</u>	<u>15,367,550</u>	<u>9,621,170</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
LOSS FOR PERIOD	(520,331)	(1,047,416)
OTHER COMPREHENSIVE LOSS		
Unrealized loss on available-for-sale marketable securities	(46,198)	(69,297)
COMPREHENSIVE LOSS FOR THE PERIOD	<u>(566,529)</u>	<u>(1,116,713)</u>

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

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

	Six Months Ended June 30,	
	2008	2007
	\$	\$
SHARE CAPITAL		
Balance at beginning of period	8,936,344	2,347,138
Private placements	-	7,782,500
Warrant valuation	-	(882,553)
Exercise of warrants	168,000	-
Reallocation of warrant equity on exercise of warrants	40,311	-
Exercise of options	-	6,075
Reallocation of contributed surplus on the exercise of stock options	-	3,643
Share issue costs	-	(371,742)
Balance at end of period	<u>9,144,655</u>	<u>8,885,061</u>
WARRANTS		
Balance at beginning of period	835,439	-
Warrants issued	-	882,553
Warrant issue costs	(40,311)	(35,586)
Balance at end of period	<u>795,128</u>	<u>846,967</u>
CONTRIBUTED SURPLUS		
Balance at beginning of period	12,498,644	12,219,252
Contributed surplus as a result of stock options granted	11,752	27,860
Reallocation of contributed surplus on the exercise of stock options	-	(3,643)
Balance at end of period	<u>12,510,396</u>	<u>12,243,469</u>
DEFICIT		
Balance at beginning of period	(7,568,308)	(5,951,750)
Loss for the period	(1,047,416)	(453,322)
Balance at end of period	<u>(8,615,724)</u>	<u>(6,405,072)</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of period	(467,079)	-
Unrealized loss on available-for-sale marketable securities	(69,297)	(5,099)
Balance at end of period	<u>(536,376)</u>	<u>(5,099)</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>13,298,079</u></u>	<u><u>15,565,326</u></u>

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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,	
	2008 \$	2007 \$	2008 \$	2007 \$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Loss for the period	(520,331)	(76,568)	(1,047,416)	(453,322)
Items not affecting cash				
Gain on disposition of mineral properties	-	(333,000)	-	(333,000)
Stock-based compensation	-	27,860	11,752	27,860
	<u>(520,331)</u>	<u>(381,708)</u>	<u>(1,035,664)</u>	<u>(758,462)</u>
Changes in non-cash working capital balances	326,844	799,656	(222,197)	458,436
	<u>(193,487)</u>	<u>417,948</u>	<u>(1,257,861)</u>	<u>(300,026)</u>
INVESTING ACTIVITIES				
Expenditures on mineral properties and deferred costs	(1,142,494)	(914,084)	(1,338,295)	(1,061,981)
Decrease (increase) in short-term investments	1,000,000	(505,471)	2,400,000	395,555
	<u>(142,494)</u>	<u>(1,419,555)</u>	<u>1,061,705</u>	<u>(666,426)</u>
FINANCING ACTIVITIES				
Issuance of common shares and warrants	-	6,781,075	168,000	7,788,575
Share and warrant issue costs	-	(401,791)	-	(407,328)
	<u>-</u>	<u>6,379,284</u>	<u>168,000</u>	<u>7,381,247</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(335,981)	5,377,677	(28,156)	6,414,795
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>597,667</u>	<u>1,659,952</u>	<u>289,842</u>	<u>622,834</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>261,686</u></u>	<u><u>7,037,629</u></u>	<u><u>261,686</u></u>	<u><u>7,037,629</u></u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash	261,686	6,832,416	261,686	6,832,416
Money market investments	-	205,213	-	205,213
	<u><u>261,686</u></u>	<u><u>7,037,629</u></u>	<u><u>261,686</u></u>	<u><u>7,037,629</u></u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited – Expressed in Canadian Dollars)

	<u>Argentina</u>					<u>Peru</u>	<u>Total</u>	
	<u>Valle de Cura</u> \$	<u>Poncha</u> \$	<u>Jujuy</u> \$	<u>Pescado (formerly Gualcamyo)</u> \$	<u>Neuquen</u> \$	<u>Other</u> \$	<u>Rio Tabaconas</u> \$	<u>\$</u>
Balance - beginning of period	2,154,027	1,177,680	536,590	446,708	112,534	237,698	4,606,795	9,272,032
Expenditures								
Acquisition costs	15,506	2,027	6,449	1,647	-	4,434	127,593	157,656
Assays	-	25,207	5,095	-	-	-	-	30,302
Drilling	-	152,480	461,575	-	-	-	-	614,055
Environmental	-	3,001	22,959	2,863	7,862	-	-	36,685
Geophysics	-	1,299	2,532	205,457	-	-	-	209,288
Office	3,642	23,900	49,097	1,054	4,140	855	21,948	104,636
Salaries and contractors	-	3,315	43,365	-	-	-	95,195	141,875
Supplies and equipment	-	19,695	256	-	-	-	2,328	22,279
Transportation	-	28,792	31,032	1,577	892	-	5,244	67,537
	19,148	259,716	622,360	212,598	12,894	5,289	252,308	1,384,313
Foreign value added tax	2,799	37,958	90,960	31,072	1,884	773	14,410	179,856
Future income tax liability	-	1,160	4,704	71,910	-	-	4,142	81,916
Balance - end of period	<u>2,175,974</u>	<u>1,476,514</u>	<u>1,254,614</u>	<u>762,288</u>	<u>127,312</u>	<u>243,760</u>	<u>4,877,655</u>	<u>10,918,117</u>

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

GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2008

(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 and deferred costs represent expenditures 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 and deferred costs 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.

These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred significant losses and negative cash flow from operations since inception. The Company has funded operations through equity financings and without additional future financings there is substantial doubt concerning the Company’s ability to continue as a going concern. Management intends to raise further financing in the future. There can be no assurance that future financing can be successfully concluded. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported income and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles 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. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

New accounting policies

Effective January 1, 2008, new accounting standards were issued by the CICA which may impact the Company in the future as follows:

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited – Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The adoption of this standard did not have an effect on the Company for the six months ended June 30, 2008.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosing information about the company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the company's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital.
- (ii) summary quantitative data about what it manages as capital.
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

This standard is effective for interim and annual financial statements beginning on January 1, 2008. The adoption of this change on the disclosure in the financial statements did not have an effect on the Company for the six months ended June 30, 2008.

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. The changes are effective for interim and annual financial statements beginning January 1, 2009. The Company has not yet determined the impact of the adoption of this change on the disclosure in its consolidated financial statements.

Financial Instruments Disclosures

In March 2007, the CICA issued section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The adoption of this change on the disclosure in the financial statements did not have an effect on the Company for the six months ended June 30, 2008.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited – Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Comparative Figures

Certain of the prior period comparative figures have been reclassified to conform to the current period's presentation.

3. SHORT-TERM INVESTMENTS

As at June 30, 2008 and December 31, 2007, the Company held short-term investments comprised of the following:

	<u>June 30, 2008</u>	
	<u>Maturity</u>	<u>Fair Value</u>
		\$
12 month term deposit		
- 4.45% annual interest rate (\$2,600,000 principal)	August 13, 2008	<u>2,704,410</u>
	<u>December 31, 2007</u>	
	<u>Maturity</u>	<u>Fair Value</u>
		\$
12 month term deposit		
- 4.45% annual interest rate (\$5,000,000 principal)	August 13, 2008	<u>5,091,243</u>

All term deposits are fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The principal and interest are unconditionally guaranteed by the Bank of Montreal.

4. MARKETABLE SECURITIES

At June 30, 2008, the Company held 2,309,900 common shares of Amera Resources Corporation ("Amera") (2007 – 2,309,900) which had a quoted market value of \$346,485 (December 31, 2007 - \$415,782). 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 (see Note 2). An unrealized loss of \$69,297 was recorded for the six months ended June 30, 2008. 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.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited – Expressed in Canadian Dollars)

5. LONG-TERM INVESTMENT

	June 30, 2008	
	Principal \$	Fair Value \$
Asset backed commercial paper	207,102	186,392

The non-bank asset-backed commercial paper (ABCP) shown above is the estimated fair value of the Company's investment in Structured Investment Trust III, Series A Canadian Trust (the "Trust") with an original principal amount of \$207,102, originally maturing on September 13, 2007. When the Company acquired this investment it was rated R1 (High) by Dominion Bond Rating Service ("DBRS"), the highest credit rating issued for commercial paper and backed by R1 (High) rated assets and liquidity arrangements.

Since August of 2007, the market for ABCP has experienced significant liquidity problems. The demand for such paper has disappeared following the turmoil in credit markets and concerns regarding the quality and nature of underlying assets. The Trust has failed to redeem the ABCP at maturity and, along with 16 other ABCP conduits, is subject to restructuring under the Pan Canadian Investors Committee for the Third Party Asset Backed Commercial Paper (the "Pan Canadian Investors Committee").

On December 23, 2007, the Pan Canadian Investors Committee announced an agreement in principle to restructure the ABCP issued by 20 trusts, including the Trust. Under the proposal, holders of ABCP will exchange their paper for floating rate notes that have maturities based on the maturities of the assets underlying the ABCP. The notes are to be designed so that all available cash flow in the trusts will be paid to note holders.

The fair value of the Company's investment in the Trust was determined based on the management's judgment using available information and expectation of the assumptions market participants would use in pricing such ABCP as at the balance sheet date. The Company reviewed information including that provided by the Pan Canadian Investors Committee. In estimating fair value, the Company used a valuation approach based on the high likelihood of successful restructuring of the investment. It is estimated that the \$207,102 of ABCP which the Company has invested is represented by assets that will, on restructuring, be replaced by senior long-term floating rate notes. These senior notes are expected to obtain a AA credit rating.

In 2007 the Company assessed fair value and recorded an impairment loss of \$20,710 related to this investment, representing a 10% valuation allowance of the original principal amount. The Company does not believe that any further write-down is required at June 30, 2008.

It is possible that further information will become available on the actual composition of the referenced assets. A change in the estimate of the composition of the referenced assets would effect the valuation.

On April 9, 2008 Canaccord Capital Corporation ("Canaccord") announced the Canaccord Relief Program, a repurchase plan that offers the Company the opportunity to sell the ABCP at par. This program is dependent on the successful restructuring of the ABCP market as has been proposed by the Pan-Canadian Investor Committee. Due to the uncertainties that the restructuring faces the Company has decided to continue to value this investment at 90% of the principal amount until the restructuring is complete.

The Company has sufficient liquidity in its cash and short-term investments that it is not dependent on realizing on its investment in the Trust in the near future. The investment has been classified as long-term, pending resolution of the Trust liquidity issue.

GOLDEN ARROW RESOURCES CORPORATION
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited – Expressed in Canadian Dollars)

6. MINERAL PROPERTIES AND DEFERRED COSTS

	June 30, 2008			December 31, 2007		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Argentina						
Valle de Cura	585,756	1,590,218	2,175,974	570,250	1,583,777	2,154,027
Poncha	2,027	1,474,487	1,476,514	-	1,177,680	1,177,680
Jujuy	8,313	1,246,301	1,254,614	1,864	534,726	536,590
Pescado *	27,948	734,340	762,288	26,301	420,407	446,708
Neuquen	-	127,312	127,312	-	112,534	112,534
Other	23,236	220,524	243,760	18,802	218,896	237,698
	647,280	5,393,182	6,040,462	617,217	4,048,020	4,665,237
Peru						
Rio Tabaconas	1,251,827	3,625,828	4,877,655	1,124,234	3,482,561	4,606,795
	1,899,107	9,019,010	10,918,177	1,741,451	7,530,581	9,272,032

* Formerly referred to as Gualcamayo

(a) Argentinean Properties

The Company has either staked, fully paid or holds options to acquire 100% working interests in mineral properties in several provinces of Argentina.

(b) Valle de Cura Properties

As of June 30, 2008, the Company must make further payments with respect to option agreements on properties totalling US \$120,000. Payment has been postponed until the Company can obtain the necessary exploration permits

The Company has also agreed to pay net smelter return royalties ("NSR") of up to US \$7,000,000 once commercial production is achieved on the Valle de Cura properties. The US\$7,000,000 was calculated based on the following:

- 3 Properties - up to US \$1,000,000 in NSR each
- 5 Properties - up to US \$800,000 in NSR each

(c) Poncha Property

Effective March 30, 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 Teck Cominco's 100% option for the 3,000 ha Poncha gold-copper project located in San Juan Province, Argentina.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited – Expressed in Canadian Dollars)

6. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

The agreement requires the Company to undertake work expenditures on the property totaling US\$3,200,000 and make payments totaling US\$2,880,000 to the underlying property owner over three years as follows:

Exploration Expenditures US \$	Option Payments US \$	Date
650,000	-	April 1, 2008 (incurred)
-	125,000	May 10, 2008 *
1,000,000	-	April 1, 2009
-	250,000	May 10, 2009
1,550,000	-	April 1, 2010
-	750,000	May 10, 2010
-	1,755,000	May 10, 2011
<u>3,200,000</u>	<u>2,880,000</u>	

* The Company expects to make the US\$125,000 payment that was due on May 10, 2008 in the near future. The Argentinean courts are reviewing this revised payment schedule on behalf of the minor heirs of the underlying property owner's estate.

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. The Agreement provides that under certain conditions Teck Cominco may contribute to a percentage of the payments to the underlying property owner. Also, Teck Cominco reserves a 1% NSR royalty if it chooses not to exercise its back-in right.

(d) Jujuy Property, Argentina

The Company owns 100% of three properties in the province of Jujuy in northern Argentina.

(e) Mogote Property, Argentina

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.

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.

The carrying value for the Mogote mineral property is nil.

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6. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

(f) 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, 2008.

(g) Golden Amara Resources Inc. Joint Venture

On June 30, 2007 the Company entered into a 50/50 joint venture with Amara to evaluate and acquire precious and base metal properties in Colombia. The joint venture 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, accordingly the Company's proportionate share of costs incurred have been recorded as general exploration expense.

On May 7, 2008, Amara gave notice that it was withdrawing from the Golden Amara Inc. Joint Venture Agreement and would not contribute further funds. Amara has transferred its interest in Golden Amara to the Company.

The Company is assessing its options in order to close the Golden Amara operations in Colombia.

The Company has signed and will continue to sign joint venture agreements for certain of its properties with other junior exploration companies. The Company normally receives shares in these companies as compensation along with their commitments for exploration expenditures.

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7. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued:	<u>June 30, 2008</u>		<u>December 31, 2007</u>	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	<u>15,258,655</u>	<u>8,936,344</u>	<u>8,224,155</u>	<u>2,347,138</u>
Issued during the year for:				
Private placements	-	-	6,970,000	7,782,500
Warrant valuation	-	-	-	(882,553)
Share issue costs	-	-	-	(377,107)
Exercise of stock options	-	-	8,100	6,075
Reallocation of contributed surplus on the exercise of stock options	-	-	-	3,643
Reallocation of warrant equity on the exercise of warrants	-	40,311	-	11,528
Exercise of warrants	<u>210,000</u>	<u>168,000</u>	<u>56,400</u>	<u>45,120</u>
Balance, end of period	<u><u>15,468,655</u></u>	<u><u>9,144,655</u></u>	<u><u>15,258,655</u></u>	<u><u>8,936,344</u></u>

(a) During the six months ended June 30, 2008, 210,000 warrants were exercised for proceeds of \$168,000

(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 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.

A summary of the changes in the Company's outstanding stock options for the six months ended June 30, 2008, is presented below:

	<u>Options Outstanding and Exercisable</u>	<u>Weighted Average Exercise Price \$</u>
Balance, Beginning of year	1,478,900	0.86
Granted	<u>45,000</u>	<u>0.50</u>
Balance, end of year	<u><u>1,523,900</u></u>	<u><u>0.85</u></u>

During the six months ended June 30, 2008, the Company granted stock options to a consultant to acquire 45,000 (June 30, 2007 – granted stock options to a director to acquire 75,000) common shares of the Company and recorded compensation expense of \$11,752 (June 30, 2007 - \$27,860) 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:

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7. SHARE CAPITAL (continued)

Risk-free interest rate	3.45%
Estimated volatility	74%
Expected life	3.2 years
Expected dividend yield	0%

The weighted average fair value of the stock options granted during the year, calculated using the Black-Scholes Option Pricing Model, was \$0.26 (June 30, 2007 - \$0.37) 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.

Stock options outstanding and exercisable at June 30, 2008, are as follows:

Number	Exercise Price \$	Expiry Date
740,900	0.75	September 23, 2010
75,000	0.80	March 15, 2012
663,000	1.00	September 12, 2012
<u>45,000</u>	0.50	January 23, 2013
<u>1,523,900</u>		

(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, 2008 and the changes for the period is as follows:

	Number	\$
Balance, December 31, 2007	4,203,600	835,439
Exercised	(210,000)	-
Reallocation of warrant equity on the exercise of warrants	<u>-</u>	<u>(40,311)</u>
Balance, June 30, 2008	<u>3,993,600</u>	<u>795,128</u>

Common shares reserved pursuant to warrants outstanding at June 30, 2008 are as follows:

Number	Exercise Price \$	Expiry Date
1,283,600	1.00	April 2, 2009
<u>2,710,000</u>	1.90	June 12, 2009
<u>3,993,600</u>		

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8. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	\$
Balance, December 31, 2007	12,498,644
Contributed surplus as a result of stock options granted	<u>11,752</u>
Balance, June 30, 2008	<u><u>12,510,396</u></u>

9. 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, Amera and Blue Sky Uranium Corp. (“Blue Sky”), each of which owns one share. 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. During the six months ended June 30, 2008, the Company incurred fees of \$246,292 (2007 - \$230,715); a total of \$267,552 (2007 - \$229,775) was paid in monthly payments and \$21,260 is included in amounts receivable, prepaids and deposits (2007 - \$940 included in accounts payable) 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 (2007 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

Effective May 31, 2008 Astral Mining Corporation withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

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, 2008, the Company paid \$18,000 to IMA for the services.

The Company, Blue Sky and IMA share office space and costs in Buenos Aires and 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.

10. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities, which are conducted principally in Argentina and Peru. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

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10. SEGMENTED INFORMATION (continued)

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

	June 30, 2008				Total \$
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Mineral Operations Colombia \$	
Current assets	3,331,991	158,867	15,755	23,782	3,530,395
Long-term investment	186,392	-	-	-	186,392
Mineral properties and deferred costs	-	6,040,462	4,877,655	-	10,918,117
	<u>3,518,383</u>	<u>6,199,329</u>	<u>4,893,410</u>	<u>23,782</u>	<u>14,634,904</u>

	December 31, 2007				Total \$
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Mineral Operations Colombia \$	
Current assets	5,725,105	240,822	14,057	38,219	6,018,203
Long-term investment	186,392	-	-	-	186,392
Mineral properties and deferred costs	-	4,665,237	4,606,795	-	9,272,032
	<u>5,911,497</u>	<u>4,906,059</u>	<u>4,620,852</u>	<u>38,219</u>	<u>15,476,627</u>

11. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing and financing activities were conducted by the Company during the periods ended June 30, 2008 and 2007 as follows:

	2008 \$	2007 \$
Investing activities		
Expenditures on mineral property interests and deferred costs	(225,874)	-
Accounts payable for mineral properties	225,874	-
	<u>-</u>	<u>-</u>