
GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and their report follows.

"Joseph Grosso"

Joseph Grosso
President

"Mike Clark"

Mike Clark
Chief Financial Officer

April 27, 2009

Auditors' Report

To the Shareholders of Golden Arrow Resources Corporation

We have audited the consolidated balance sheets of **Golden Arrow Resources Corporation** as at December 31, 2008 and 2007 and the consolidated statements of loss and deficit, comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia
April 27, 2009

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	2008	2007
	\$	\$
		Restated – Note 2
A S S E T S		
CURRENT ASSETS		
Cash	372,141	289,842
Short-term investments (Note 4)	657,878	5,091,243
Amounts receivable and prepaids (Note 10)	143,416	136,336
Marketable securities (Note 5)	<u>16,169</u>	<u>415,782</u>
	1,189,604	5,933,203
DEPOSIT (Note 10)	85,000	85,000
LONG-TERM INVESTMENT (Note 6)	186,392	186,392
MINERAL PROPERTY INTERESTS (Note 7)	<u>2,165,348</u>	<u>1,776,849</u>
	<u><u>3,626,344</u></u>	<u><u>7,981,444</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	<u>175,241</u>	<u>353,023</u>
S H A R E H O L D E R S ’ E Q U I T Y		
SHARE CAPITAL (Note 8)	9,144,655	8,936,344
WARRANTS (Note 8)	795,128	835,439
CONTRIBUTED SURPLUS (Note 9)	12,510,396	12,498,644
ACCUMULATED OTHER COMPREHENSIVE LOSS	-	(467,079)
DEFICIT	<u>(18,999,076)</u>	<u>(14,174,927)</u>
	<u>3,451,103</u>	<u>7,628,421</u>
	<u><u>3,626,344</u></u>	<u><u>7,981,444</u></u>
NATURE OF OPERATIONS (Note 1)		
COMMITMENTS (Note 7)		
SUBSEQUENT EVENTS (Notes 6, 7 and 15)		

APPROVED BY THE BOARD OF DIRECTORS

_____, Director
“Joseph Grosso”

_____, Director
“David Horton”

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

	2008	2007
	\$	\$
		Restated – Note 2
EXPENSES		
Administrative and management services (Note 10)	126,090	91,674
Corporate development and investor relations (Note 10)	171,343	248,881
Exploration (Notes 2 and 7)	2,918,776	2,678,214
Office and sundry (Note 10)	178,464	107,339
Printing	14,707	14,049
Professional fees	83,931	37,763
Rent, parking and storage (Note 10)	69,943	56,790
Salaries and employee benefits	376,799	356,624
Stock-based compensation (Note 8)	11,752	283,035
Transfer agent and regulatory fees	24,423	20,323
Travel and accommodation	44,597	110,018
	<u>4,020,825</u>	<u>4,004,710</u>
LOSS BEFORE OTHER ITEMS	<u>(4,020,825)</u>	<u>(4,004,710)</u>
OTHER INCOME (EXPENSE)		
Foreign exchange gain (loss)	(46,076)	56,458
Write-down of marketable securities (Note 5)	(866,692)	-
Write-down of asset-backed commercial paper (Note 6)	-	(20,710)
Gain on disposition of mineral properties	-	333,000
Interest and other income	109,444	176,163
	<u>(803,324)</u>	<u>544,911</u>
LOSS FOR THE YEAR	(4,824,149)	(3,459,799)
DEFICIT - BEGINNING OF YEAR	<u>(14,174,927)</u>	<u>(10,715,128)</u>
DEFICIT - END OF YEAR	<u>(18,999,076)</u>	<u>(14,174,927)</u>
 BASIC AND DILUTED LOSS PER COMMON SHARE	 <u>\$(0.31)</u>	 <u>\$(0.28)</u>
 WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	 <u>15,418,081</u>	 <u>12,294,948</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

	<u>Year Ended December 31,</u> 2008 \$	<u>Year Ended December 31,</u> 2007 \$ Restated – Note 2
LOSS FOR YEAR	(4,824,149)	(3,459,799)
OTHER COMPREHENSIVE LOSS		
Unrealized loss on available-for-sale marketable securities	(399,613)	(467,079)
Write-down of marketable securities	866,692	-
COMPREHENSIVE LOSS FOR THE YEAR	<u>(4,357,070)</u>	<u>(3,926,878)</u>

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GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

	2008	2007
	\$	\$
		Restated – Note 2
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(4,824,149)	(3,459,799)
Items not affecting cash		
Gain on disposition of mineral properties	-	(333,000)
Stock-based compensation	11,752	283,035
Accrued interest	83,365	(91,243)
Write-down of marketable securities	866,692	20,710
	(3,862,340)	(3,580,297)
Changes in non-cash working capital balances		
Other receivables and prepaids	(7,080)	(83,774)
Accounts payable and other accrued liabilities	(177,782)	236,033
	(4,047,202)	(3,428,038)
INVESTING ACTIVITIES		
Expenditures on mineral properties	(388,499)	(197,105)
Decrease (increase) in short-term investments	4,350,000	(3,921,759)
Increase in asset-backed commercial paper	-	(207,092)
	3,961,501	(4,325,956)
FINANCING ACTIVITIES		
Issuance of common shares and warrants	168,000	7,833,695
Share issue costs	-	(412,693)
	168,000	7,421,002
INCREASE (DECREASE) IN CASH	82,299	(332,992)
CASH - BEGINNING OF YEAR	289,842	622,834
CASH - END OF YEAR	372,141	289,842

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GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

	2008 \$	2007 \$ Restated – Note 2
SHARE CAPITAL		
Balance at beginning of year	8,936,344	2,347,138
Private placements	-	7,782,500
Warrant valuation	-	(882,553)
Exercise of warrants	168,000	45,120
Exercise of options	-	6,075
Reallocation of contributed surplus on the exercise of stock options	-	3,643
Reallocation of warrant equity on exercise of warrants	40,311	11,528
Share issue costs	-	(377,107)
Balance at end of year	<u>9,144,655</u>	<u>8,936,344</u>
WARRANTS		
Balance at beginning of year	835,439	-
Warrants issued	-	882,553
Warrant issue costs	-	(35,586)
Reallocation of warrant equity on the exercise of warrants	<u>(40,311)</u>	<u>(11,529)</u>
Balance at end of year	<u>795,128</u>	<u>835,439</u>
CONTRIBUTED SURPLUS		
Balance at beginning of year	12,498,644	12,219,252
Contributed surplus as a result of stock options granted	11,752	283,035
Reallocation of contributed surplus on the exercise of stock options	-	(3,643)
Balance at end of year	<u>12,510,396</u>	<u>12,498,644</u>
DEFICIT		
Balance at beginning of year	(14,174,927)	(10,715,128)
Loss for the year	<u>(4,824,149)</u>	<u>(3,459,799)</u>
Balance at end of year	<u>(18,999,076)</u>	<u>(14,174,927)</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of year	(467,079)	-
Unrealized loss on available-for-sale marketable securities	(399,613)	(467,079)
Write-down of marketable securities	866,692	-
Balance at end of year	<u>-</u>	<u>(467,079)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>3,451,103</u>	<u>7,628,421</u>

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 YEAR ENDED DECEMBER 31, 2008
(Expressed in Canadian Dollars)

ACQUISITION COSTS

	Argentina						Peru	Total
	Valle de Cura \$	Poncha \$	Jujuy \$	Pescado \$	Neuquen \$	Other \$	Rio Tabaconas \$	
BALANCE – BEGINNING OF YEAR	570,250	-	1,864	26,301	-	18,802	1,159,632	1,776,849
ACQUISITION COSTS DURING THE YEAR:								
Cash	67,947	141,192	8,531	3,720	2,139	13,735	151,235	388,499
BALANCE - END OF YEAR	<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>2,165,348</u>

EXPLORATION EXPENDITURES

	Argentina						Peru	Colombia	Total
	Valle de Cura \$	Poncha \$	Jujuy \$	Pescado \$	Neuquen \$	Other \$	Rio Tabaconas \$	General Exploration \$	
CUMULATIVE COSTS EXPENSED – BEGINNING OF YEAR	1,668,936	1,526,146	859,860	492,828	145,832	216,636	2,699,305	201,483	7,811,026
EXPLORATION EXPENDITURES DURING THE YEAR:									
Assays	-	26,433	6,345	-	-	-	-	-	32,778
Communications	343	7,219	5,526	269	1,822	910	-	-	16,089
Drilling	-	159,895	444,523	-	-	-	-	-	604,418
Environmental	-	4,508	26,077	3,002	8,244	-	-	-	41,831
Geophysics	-	-	-	205,457	-	-	-	-	205,457
Metallurgy	-	-	30,336	1,336	-	-	-	-	31,672
Office	16,538	106,517	214,969	54,222	13,983	817	110,058	287,583	804,687
Salaries and contractors	22,886	106,949	250,876	46,276	6,077	2,320	178,599	78,842	692,825
Supplies and equipment	-	20,652	5,657	251	-	-	-	-	26,560
Transportation	-	39,024	60,209	2,338	2,794	489	15,882	-	120,736
Social	-	407	3,910	51	-	-	40,261	-	44,629
Statutory and tax	2,620	5,445	13,342	264	750	1,016	-	-	23,437
IVA	12,043	67,482	116,825	34,621	3,909	2,942	35,835	-	273,657
	<u>54,430</u>	<u>544,531</u>	<u>1,178,595</u>	<u>348,087</u>	<u>37,579</u>	<u>8,494</u>	<u>380,635</u>	<u>366,425</u>	<u>2,918,776</u>
CUMULATIVE COSTS EXPENSED – END OF YEAR	<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>567,908</u>	<u>10,729,802</u>

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 YEAR ENDED DECEMBER 31, 2007
(Restated – Note 2)
(Expressed in Canadian Dollars)

ACQUISITION COSTS

	Argentina				Peru	Total
	Valle de Cura \$	Jujuy \$	Pescado \$	Other \$	Rio Tabaconas \$	\$
BALANCE – BEGINNING OF YEAR	543,675	1,864	26,301	18,802	989,102	1,579,744
ACQUISITION COSTS DURING THE YEAR:						
Cash	26,575	-	-	-	170,530	197,105
BALANCE - END OF YEAR	<u>570,250</u>	<u>1,864</u>	<u>26,301</u>	<u>18,802</u>	<u>1,159,632</u>	<u>1,776,849</u>

EXPLORATION EXPENDITURES

	Argentina						Peru	Colombia	Total
	Valle de Cura \$	Poncha \$	Jujuy \$	Pescado \$	Neuquen \$	Other \$	Rio Tabaconas \$	General Exploration \$	\$
CUMULATIVE COSTS EXPENSED									
– BEGINNING OF YEAR	1,652,450	-	561,386	278,123	-	200,716	2,440,137	-	5,132,812
EXPLORATION EXPENDITURES DURING THE YEAR:									
Assays	-	11,333	1,436	22,332	7,393	-	-	-	42,494
Drilling	-	506,439	-	-	-	-	-	-	506,439
Environmental	-	2,256	30,057	8,979	12,218	-	-	-	53,510
Office	7,502	520,012	101,133	112,518	65,290	1,354	78,442	169,702	1,055,953
Salaries and contractors	3,991	174,926	83,536	25,220	23,606	12,089	178,534	31,781	533,683
Supplies and equipment	-	54,077	-	-	-	-	-	-	54,077
Transportation	-	80,135	47,702	20,759	20,415	-	2,192	-	171,203
IVA	4,993	176,968	34,610	24,897	16,910	2,477	-	-	260,855
	<u>16,486</u>	<u>1,526,146</u>	<u>298,474</u>	<u>214,705</u>	<u>145,832</u>	<u>15,920</u>	<u>259,168</u>	<u>201,483</u>	<u>2,678,214</u>
CUMULATIVE COSTS EXPENSED									
– END OF YEAR	<u>1,668,936</u>	<u>1,526,146</u>	<u>859,860</u>	<u>492,828</u>	<u>145,832</u>	<u>216,636</u>	<u>2,699,305</u>	<u>201,483</u>	<u>7,811,026</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(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. 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 and reliable. 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 earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource 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 retroactive basis. The impact of this change on the previously reported December 31, 2007 consolidated financial statements is as follows:

	As previously reported \$	Restatement \$	As restated \$
Mineral properties as at December 31, 2007	9,272,032	(7,495,183)	1,776,849
Future income taxes as at December 31, 2007	(888,564)	888,564	-
Exploration expense for the year ended December 31, 2007	834,973	1,843,241	2,678,214
Loss for the year ended December 31, 2007	(1,616,558)	(1,843,241)	(3,459,799)
Loss per share for the year ended December 31, 2007	(0.13)	(0.15)	(0.28)
Deficit at December 31, 2007	(7,568,308)	(6,606,619)	(14,174,927)
Deficit at December 31, 2006	(5,951,750)	(4,763,378)	(10,715,128)
Cash flows from operating activities for the year ended December 31, 2007	(1,775,642)	(1,652,396)	(3,428,038)
Cash flows from investing activities for the year ended December 31, 2007	(5,978,352)	1,652,396	(4,325,956)

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

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. Actual results may differ from these estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The principal subsidiaries are IMPSA Resources (BVI) Inc. (100%), Inversiones Mineras Australes Holdings (BVI) Inc. (100%), IMPSA Resources Corporation (100%), Inversiones Mineras Australes SA (100%), Minera IMP - Peru S.A.C. (100%) and Golden Amera Resources (BVI) Inc. (100%). All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market investments, maturing less than 3 months from the date of initial investment. Cash equivalents are designated as held-for-trading and recorded at fair value with changes in fair value, recorded in the statement of loss.

Short-term investments

Short-term investments include term deposits and money market investments maturing less than 12 months from the date of initial investment. Short-term investments are designated as held-for-trading and recorded at fair value with changes in fair value, recorded in the statement of loss.

Marketable Securities

Marketable securities are designated as available-for-sale and recorded at fair value, with changes in fair value recorded in the statement of other comprehensive income. The fair value of marketable securities is obtained by reference to the current quoted bid price on the balance sheet date. When it is determined that a decrease in fair value is other than temporary a loss will be recorded in Other income (expense).

Mineral Property Interests

During the year ended December 31, 2008, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (see note 2).

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

When a property is placed in commercial production, acquisition costs will be depleted using the units-of-production method. Management 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 then the acquisition costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments relating to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

The Company accounts for foreign value added taxes paid as part of exploration expense. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in general exploration expense.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2008 the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment is identified, the carrying value of the property interest is written down to its estimated fair value.

Translation of Foreign Currencies

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be antidilutive. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 8.

Valuation of equity units issued in private placements

The Company has adopted a pro rata basis method with respect to the measurement of shares and warrants issued as private placement units. The pro rata basis method required each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. The fair value attributed to the warrants is recorded in contributed surplus.

Stock-based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of stock-based compensation is charged to expense over the period that it is earned, with offsetting amounts to contributed surplus. If the stock-based compensation is for past services, it is expensed immediately. If the stock-based compensation is forfeited, no amounts are charged to expense. If stock options are exercised then the fair value of the options is re-classified from contributed surplus to share capital.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Significant estimates include the basis of impairment of mineral properties and future income taxes. Actual results could differ from those estimates.

Financial Instruments

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 “*Held-for-trading*”, and recorded at fair value with changes in fair value recorded in the statement of operations.
- (ii) Marketable securities are classified as “*Available-for-sale*”, and recorded at fair value with changes in fair value recorded in the statement of other comprehensive income. The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date.
- (iii) Amounts receivable and deposits 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.

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 year ended December 31, 2008.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is 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. Disclosures required by this standard are included in Note 13.

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 Company adopted these sections effective January 1, 2008. These sections replaced 3861. Disclosures required by these standards are included in note 14.

Recent Accounting Pronouncements

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

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 adoption of this change will not impact the disclosure in our financial statements.

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4. SHORT-TERM INVESTMENTS

As at December 31, 2008 and 2007, the Company held the following term deposits:

		December 31, 2008	
		Maturity	Fair Value \$
12 month term deposit - 3.15% annual interest rate (\$650,000 principal)		August 13, 2009	657,878
		December 31, 2007	
		Maturity	Principal \$
12 month term deposit - 4.45% annual interest rate (\$5,000,000 principal)		August 13, 2008	5,091,243

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

5. MARKETABLE SECURITIES

At December 31, 2008, the Company held 230,990 (2007 – 230,990) common shares of Panthera Exploration Inc. (formerly Amara Resources Corporation) (“Panthera”) which had a quoted market value of \$16,169 (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. An unrealized loss of \$399,613 (2007 - \$467,079) was recorded for the year ended December 31, 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. Management has determined that the decrease in fair value of Panthera is other than temporary. As a result a loss of \$866,692 has been recorded in Other income (expenses).

6. LONG-TERM INVESTMENTS

As at December 31, 2008 and 2007, the Company held asset-backed commercial paper as follows:

		December 31, 2008 and 2007	
		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.

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6. LONG-TERM INVESTMENTS (continued)

Since August of 2007, the market for ABCP experienced significant liquidity problems. The demand for such paper disappeared following the turmoil in credit markets and concerns regarding the quality and nature of underlying assets. The Trust failed to redeem the ABCP at maturity and, along with 16 other ABCP conduits, was 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 would exchange their paper for floating rate notes that have maturities based on the maturities of the assets underlying the ABCP. The notes would be designed so that all available cash flow in the trusts would 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 was estimated that the \$207,102 of ABCP which the Company had invested was represented by assets that would, on restructuring, be replaced by senior long-term floating rate notes. These senior notes were expected to obtain a AA credit rating.

Based on this assessment of fair value as at December 31, 2007, the Company recorded in income an impairment loss of \$20,710 related to this investment in 2007, representing a 10% valuation allowance of the original principal amount.

On April 9, 2008 Canaccord Capital Corporation ("Canaccord") announced the Canaccord Relief Program, a repurchase plan that offered the Company the opportunity to sell the ABCP at par. This program was dependent on the successful restructuring of the ABCP market as had been proposed by the Pan-Canadian Investor Committee.

Subsequent to year end the Canaccord Relief program was completed and the Company received \$214,661 for the principal and unpaid interest.

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7. 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 December 31, 2008 and 2007:

	December 31, 2008			December 31, 2007		
	Acquisition Costs \$	Exploration Expenditures \$	Total \$	Acquisition Costs \$	Exploration Expenditures \$	Total \$
Argentina						
Valle de Cura	638,197	1,723,366	2,361,563	570,250	1,668,936	2,239,186
Poncha	141,192	2,070,677	2,211,869	-	1,526,146	1,526,146
Jujuy	10,395	2,038,455	2,048,850	1,864	859,860	861,724
Pescado *	30,021	840,915	870,936	26,301	492,828	519,129
Neuquen	2,139	183,411	185,550	-	145,832	145,832
Other	32,537	225,130	257,667	18,802	216,636	235,438
	854,481	7,081,954	7,936,435	617,217	4,910,238	5,527,455
Peru						
Rio Tabaconas	1,310,867	3,079,940	4,390,807	1,159,632	2,699,305	3,858,937
Colombia						
General exploration	-	567,908	567,908	-	201,483	201,483
	2,165,348	10,729,802	12,895,150	1,776,849	7,811,026	9,587,875

* 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 December 31, 2008, the Company has made its final option payment of US \$60,000 on the Valle de Cura properties.

The Company has also agreed to pay net smelter return royalties ("NSR") of up to US \$5,000,000 once commercial production is achieved on the Valle de Cura properties. The US\$5,000,000 was calculated based on the following:

1 Property - 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.

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7. MINERAL PROPERTY INTERESTS (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 (paid)
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>	

On March 3, 2009 the Company amended the agreement with the property owner. The new cash terms will be as follows:

Original Option Payments US \$	Amended Option Payments US \$	Date
125,000	125,000	May 10, 2008 (Paid)
250,000	78,000	May 10, 2009
750,000	78,000	May 10, 2010
1,755,000	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>2,880,000</u>	<u>3,089,000</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. This amendment is subject to approval of the Argentinean courts.*

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.

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7. MINERAL PROPERTY INTERESTS (continued)

(d) Mogote Property, Argentina

The Company has agreements with Panthera, a publicly traded company with common management, whereby the Company optioned its Mogote Property in the NW San Juan Region of Argentina. Panthera has exercised the option to earn a 51% interest in the Mogote Property. Panthera 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, Panthera 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.

(e) 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 December 31, 2008.

(f) Golden Amera Resources Inc. Joint Venture

On June 30, 2007 the Company entered into a 50/50 joint venture with Panthera 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, Panthera gave notice that it was withdrawing from the Golden Amera Inc. Joint Venture Agreement and would not contribute further funds. Panthera has transferred its interest in Golden Amera to the Company.

Subsequent to year end the Company optioned a property in Colombia with an initial option payment of \$80,000 USD.

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8. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued:	December 31, 2008		December 31, 2007	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of year	15,258,655	8,936,344	8,224,155	2,347,138
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	210,000	168,000	56,400	45,120
Balance, end of year	<u>15,468,655</u>	<u>9,144,655</u>	<u>15,258,655</u>	<u>8,936,344</u>

(a) During the year ended December 31, 2008, 210,000 warrants were exercised for proceeds of \$168,000.

(b) During the year ended December 31, 2007:

i) 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 net of 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.

ii) The Company completed a non-brokered private placement of 5,420,000 units at \$1.25 per unit, for net proceeds of \$6,367,844 net of \$407,156 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. In addition, \$35,586 of the issue costs were allocated to the warrants.

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8. SHARE CAPITAL (continued)

(c) 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.

During the year ended December 31, 2008, the Company granted stock options to directors, employees and consultants to acquire 45,000 (2007 – 738,000) common shares of the Company and recorded compensation expense of \$11,752 (2007 - \$283,035) 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:

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 (2007 - \$0.38) 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 years ended December 31, 2008 and 2007 is presented below:

	2008		2007	
	Options Outstanding and Exercisable	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, Beginning of year	1,478,900	0.86	749,000	0.75
Granted	45,000	0.50	738,000	0.98
Exercised			(8,100)	0.75
Cancelled / Forfeited	(230,000)	0.76	-	-
Balance, end of year	1,293,900	0.87	1,478,900	0.86

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8. SHARE CAPITAL (continued)

Stock options outstanding and exercisable at December 31, 2008, are as follows:

Number	Exercise Price \$	Expiry Date
610,900	0.75	September 23, 2010
75,000	0.80	March 15, 2012
<u>608,000</u>	1.00	September 12, 2012
<u>1,293,900</u>		

(d) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2008 and 2007 and the changes for the years ending on those dates is as follows:

	Number	\$
Balance, December 31, 2006	-	-
Warrants issued	4,260,000	882,553
Warrant issue costs	-	(35,586)
Warrants exercised	<u>(56,400)</u>	<u>(11,528)</u>
Balance, December 31, 2007	4,203,600	835,439
Warrants exercised	<u>(210,000)</u>	<u>(40,311)</u>
Balance, December 31, 2008	<u>3,993,600</u>	<u>795,128</u>

Common shares reserved pursuant to warrants outstanding at December 31, 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>		

9. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	\$
Balance, December 31, 2006 *	12,219,252
Contributed surplus as a result of stock options granted	283,035
Reallocation of contributed surplus on the exercise of stock options	<u>(3,643)</u>
Balance, December 31, 2007	12,498,644
Contributed surplus as a result of stock options granted	<u>11,752</u>
Balance, December 31, 2008	<u>12,510,396</u>

*The contributed surplus balance includes amounts paid by the predecessor company ("IMA") to finance its business up to July 7, 2004, when it completed a corporate restructuring plan and transferred certain assets and liabilities to the Company. At December 31, 2008 and 2007, contributed surplus includes \$11,772,788 relating to activities of IMA.

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10. 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. 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.

During fiscal 2008, the Company incurred fees of \$508,384 (2007 - \$481,352): a total of \$524,418 (2007 - \$470,403) was paid in monthly payments and \$16,034 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the year (2007 - \$29,068 included in accounts payable). In addition, included in 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 February 29, 2008 Gold Point Energy withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

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 September 1, 2008 Panthera 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 fiscal 2008, the Company paid \$36,000 (2007 - \$25,000) to IMA for the services.

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.

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11. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of loss and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2008	2007 Restated – Note 2
Statutory tax rate	<u>31.00%</u>	<u>34.12%</u>
	\$	\$
Loss before income taxes	<u>(4,824,149)</u>	<u>(3,459,799)</u>
Provision for (recovery of) income taxes based on statutory		
Canadian combined federal and provincial income tax rates	(1,495,486)	(1,180,483)
Non-deductible differences	19,146	93,375
Differences in foreign tax rates	(79,749)	(51,903)
Change in Canadian tax rates	(65,887)	307,124
Share issuance costs	-	(111,427)
Other	(87,521)	(30,891)
Change in valuation allowance	<u>1,709,497</u>	<u>974,205</u>
	<u>-</u>	<u>-</u>

Future incomes taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	2008 \$	2007 \$ Restated – Note 2
Future income tax assets		
Financing costs	72,048	110,887
Operating loss carryforwards	1,462,771	621,012
Resource deductions	2,009,755	1,211,074
Other	<u>170,635</u>	<u>62,739</u>
	3,715,209	2,005,712
Valuation allowance for future income tax assets	<u>(3,715,209)</u>	<u>(2,005,712)</u>
	<u>-</u>	<u>-</u>

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11. INCOME TAXES (continued)

The Company has Canadian non-capital loss carryforwards of \$2,723,762 that may be available for tax purposes. The Company's non-capital losses expire as follows:

Expiry Date	\$
2009	1,554
2010	358
2014	159,771
2015	226,067
2026	133,320
2027	806,506
2028	<u>1,396,186</u>
	<u><u>2,723,762</u></u>

At December 31, 2008, the Company had a net operating loss carryforward for Peru income tax purposes of approximately Cdn\$987,085 (2007 – Cdn\$197,383) which, if not utilized to reduce Peru taxable income in future periods, expires through the year 2013. These available tax losses may only be applied to offset future taxable income from the Company's current Peru subsidiary.

At December 31, 2008, the Company had a net operating loss carryforward for Argentina income tax purposes of approximately Cdn\$1,232,085 (2007 – Cdn\$1,195,085) which, if not utilized to reduce Argentinean taxable income in future periods, expires through the year 2013. These available tax losses may only be applied to offset future taxable income from the Company's current Argentinean subsidiary.

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's total assets are segmented geographically as follows:

	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>

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12. SEGMENTED INFORMATION (continued)

	December 31, 2007				Total \$
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Mineral Operations Colombia \$	
Current assets	5,640,105	240,822	14,057	38,219	5,933,203
Deposit	85,000	-	-	-	85,000
Long-term investment	186,392	-	-	-	186,392
Mineral property interests	-	617,217	1,159,632	-	1,776,849
	<u>5,911,497</u>	<u>858,039</u>	<u>1,173,689</u>	<u>38,219</u>	<u>7,981,444</u>

13. CAPITAL RISK MANAGEMENT

The Company views its equity as capital, and manages its issued share capital and outstanding stock options and share purchase warrants as such. As the Company presently has no revenue, its principal source of funding is from the sale of common shares and exercise of outstanding stock options and share purchase warrants. It is the Company's capital management objective to safeguard its ability to continue as a going concern so it may continue to carry on its business operations.

The Company's common shares are listed on the TSX-V. The TSX-V's policies impose certain minimum capital requirements, limits how many options to grant, pricing of options and private placements upon the Company. Management believes that the Company is in compliance with these externally imposed capital requirements.

Refer to notes 8 (Equity) and 9 (Contributed Surplus) for a description of changes in capital during 2008 and 2007.

14. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, including currency, credit and interest rate, and liquidity risk.

Currency Risk: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

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14. MANAGEMENT OF FINANCIAL RISK (continued)

The Company has not hedged its exposure to currency fluctuations. At December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities in US dollars, Argentina pesos, Peruvian soles and Colombian pesos:

	December 31, 2008			
	US Dollar \$	Argentina Pesos \$	Peru Soles \$	Colombia Pesos \$
Cash	48,215	36,048	3,915	172,721,856
Amounts receivables and prepaids	3,021	85,163	16,099	1,500,000
Accounts payable and accrued liabilities	-	(21,714)	(19,097)	(5,408,252)
	<u>51,236</u>	<u>99,497</u>	<u>917</u>	<u>168,813,604</u>
Foreign exchange rate at December 31, 2008	1.2180	0.3464	0.3902	0.000545

Based on the net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar, Argentinean pesos, Peruvian soles and Colombian pesos would have an insignificant impact on the Company's net earnings.

Credit Risk: Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments, asset backed commercial paper and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts.

Interest rate risk: Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to significant interest rate risk because of their current nature.

Liquidity risk: To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash, short term investments and expected exercise of stock options and share purchase warrants.

15. SUBSEQUENT EVENTS

On January 9, 2009 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 \$741,104 net of related share issue costs of \$37,246. 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 \$0.25 expiring January 9, 2011.

On April 17, 2009, 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 \$2,109,900 net of related share issue costs of \$153,600. 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 \$0.40 expiring October 17, 2010.