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# **Golden Arrow Resources Corporation**

*(An Exploration Stage Company)*

## **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013

*(Expressed in Canadian Dollars)*

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April 22, 2015

## **Independent Auditor's Report**

### **To the Shareholders Golden Arrow Resources Corporation**

We have audited the accompanying consolidated financial statements of Golden Arrow Resources Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform our audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Golden Arrow Resources Corporation as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Golden Arrow Resource Corporation's ability to continue as a going concern.

*signed "PricewaterhouseCoopers LLP"*

**Chartered Accountants**

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		December 31, 2014 \$	December 31, 2013 \$
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	3	33,327	81,088
Mineral property interests	4	1,742,095	1,548,230
<b>Total non-current assets</b>		<b>1,775,422</b>	<b>1,629,318</b>
<b>Current assets</b>			
Cash and cash equivalents		1,252,471	5,052,392
Investments	5	8,085	1,256,930
Amounts receivable		48,712	46,067
Prepaid expenses		123,989	25,084
<b>Total current assets</b>		<b>1,433,257</b>	<b>6,380,473</b>
<b>Total Assets</b>		<b>3,208,679</b>	<b>8,009,791</b>
<b>EQUITY</b>			
Share capital	6	9,953,493	8,650,617
Treasury stock		-	(48,005)
Commitment to issue shares	10	1,750,444	-
Reserves	6	14,893,400	14,254,407
Deficit		(23,810,048)	(15,278,200)
<b>Total equity</b>		<b>2,787,289</b>	<b>7,578,819</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	421,390	430,972
<b>Total current liabilities</b>		<b>421,390</b>	<b>430,972</b>
<b>Total Equity and Liabilities</b>		<b>3,208,679</b>	<b>8,009,791</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

### COMMITMENTS (Note 10)

### SUBSEQUENT EVENTS (Note 14)

These consolidated financial statements are authorized for issue by the Board of Directors on April 22, 2015. They are signed on the Company's behalf by:

"Joseph Grosso" , Director

"David Terry" , Director

*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 Comprehensive Loss

(Expressed in Canadian Dollars)

		Year ended December 31,	
	Note	2014	2013
		\$	\$
<b>Expenses</b>			
Administration and management services	7	615,625	413,800
Corporate development and investor relations		452,914	573,434
Depreciation		21,618	28,236
Exploration	4	6,263,828	3,974,791
Office and sundry	7	234,820	175,630
Professional fees	7	236,891	270,935
Rent, parking and storage	7	258,650	227,972
Salaries and employee benefits	7	545,926	812,498
Share-based compensation	7	319,902	29,258
Transfer agent and regulatory fees		31,408	28,931
Travel and accommodation		151,418	278,496
<b>Loss from operating activities</b>		<b>9,133,000</b>	<b>6,813,981</b>
Foreign exchange (gain) loss	13	(747,110)	41,930
Gain on sale of property and equipment		-	(10,919)
Interest income		(20,177)	(101,273)
Loss on sale of marketable securities	13	66,085	-
Write-off of mineral property interests	4	100,050	-
<b>Loss for the year</b>		<b>8,531,848</b>	<b>6,743,719</b>
<b>Other comprehensive (income) loss</b>			
Items that may be reclassified to profit or loss			
Unrealized (gain) loss on available-for-sale marketable securities	13	(1,155)	4,620
<b>Other comprehensive (income) loss for the year</b>		<b>(1,155)</b>	<b>4,620</b>
<b>Comprehensive loss for the year</b>		<b>8,530,693</b>	<b>6,748,339</b>
<b>Basic and diluted loss per common share (\$)</b>	8	0.21	0.16

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31,	
	2014	2013
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(8,531,848)	(6,743,719)
Adjustments for:		
Depreciation of property and equipment included in exploration expenses	26,143	24,265
Depreciation	21,618	28,236
Drilling services received for common shares	853,600	-
Drilling services received for common shares to be issued	1,106,796	-
Foreign exchange gain on marketable securities	(782,902)	-
Gain on sale of property and equipment	-	(10,919)
Loss on sale of marketable securities	66,085	-
Share-based compensation	319,902	29,258
Write-off of mineral property interests	100,050	-
	<u>(6,820,556)</u>	<u>(6,672,879)</u>
Change in non-cash working capital items:		
(Increase) decrease in amounts receivable	(2,645)	64,503
(Increase) decrease in prepaid expenses	(98,905)	47,940
(Decrease) increase in accounts payable and accrued liabilities	(9,582)	13,726
Net cash used in operating activities	<u>(6,931,688)</u>	<u>(6,546,710)</u>
<b>Cash flows from investing activities</b>		
Expenditures on property and equipment	-	(30,000)
Mineral property interests	(293,915)	(365,418)
Proceeds from exercise of warrant put right	1,250,000	-
Proceeds from sale of property and equipment	-	10,919
Purchase of marketable securities, net of transaction costs	(3,048,225)	-
Disposal of marketable securities, net of transaction costs	3,765,042	-
Purchase of short-term investments, net of transaction costs	-	(3,809,475)
Redemption of short-term investments, net of transaction costs	-	15,359,475
Net cash generated from investing activities	<u>1,672,902</u>	<u>11,165,501</u>
<b>Cash flows from financing activities</b>		
Issuance of common shares and warrants	1,016,000	-
Subscription receipts	643,648	-
Repurchases of common shares	(172,234)	(48,005)
Share issue costs	(26,640)	-
Share repurchase costs	(1,909)	(591)
Net cash generated by financing activities	<u>1,458,865</u>	<u>(48,596)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(3,799,921)</u>	<u>4,570,195</u>
Cash and cash equivalents at beginning of year	5,052,392	482,197
<b>Cash and cash equivalents at end of year</b>	<u>1,252,471</u>	<u>5,052,392</u>

### SUPPLEMENTARY CASH FLOW INFORMATION (Note 11)

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital			Reserves						
	Number of shares	Amount \$	Treasury Stock \$	Commitment to issue shares \$	Contributed surplus \$	Equity settled share-based payments \$	Warrants \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
Balance at January 1, 2013	41,823,655	8,651,208	-	-	13,368,280	866,108	-	(4,619)	(8,534,481)	14,346,496
Stock options expired	-	-	-	-	41,642	(41,642)	-	-	-	-
Share-based compensation	-	-	-	-	-	29,258	-	-	-	29,258
Repurchases of common shares	(236,500)	-	(48,005)	-	-	-	-	-	-	(48,005)
Share repurchase costs	-	(591)	-	-	-	-	-	-	-	(591)
Total comprehensive (loss) for the year	-	-	-	-	-	-	-	(4,620)	(6,743,719)	(6,748,339)
Balance at December 31, 2013	41,587,155	8,650,617	(48,005)	-	13,409,922	853,724	-	(9,239)	(15,278,200)	7,578,819
Private placement	5,080,000	711,731	-	-	-	-	304,269	-	-	1,016,000
Share issue costs	-	(40,307)	-	-	-	-	-	-	-	(40,307)
Agent warrants granted	-	-	-	-	-	-	13,667	-	-	13,667
Shares issued for drilling services (Note 6)	336,134	853,600	-	-	-	-	-	-	-	853,600
Stock options expired	-	-	-	-	208,219	(208,219)	-	-	-	-
Share-based compensation	-	-	-	-	-	319,902	-	-	-	319,902
Treasury stock cancelled under normal course issuer bid	-	(48,005)	48,005	-	-	-	-	-	-	-
Repurchases of common shares (Note 6)	(763,500)	(172,234)	-	-	-	-	-	-	-	(172,234)
Share repurchase costs	-	(1,909)	-	-	-	-	-	-	-	(1,909)
Commitment to issue shares (Note 10)	-	-	-	1,750,444	-	-	-	-	-	1,750,444
Total comprehensive (loss) for the year	-	-	-	-	-	-	-	1,155	(8,531,848)	(8,530,693)
Balance at December 31, 2014	46,239,789	9,953,493	-	1,750,444	13,618,141	965,407	317,936	(8,084)	(23,810,048)	2,787,289

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

# **Golden Arrow Resources Corporation**

*(An Exploration Stage Company)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

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

The address of the Company’s registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6. The Company is listed on the TSX Venture Exchange.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Argentina and Chile. The Company’s mineral property interests presently have no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as mineral property interests represent costs incurred to date, less option payment proceeds and amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral property interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has experienced recurring operating losses and has an accumulated deficit of \$23,810,048 at December 31, 2014 (December 31, 2013 - \$15,278,200) and equity of \$2,787,289 at December 31, 2014 (December 31, 2013 – equity of \$7,578,819). In addition, the Company has working capital of \$1,011,867 at December 31, 2014 (December 31, 2013 – \$5,949,501). Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors create material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and commitments (Note 10) and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required (Note 14). There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities and reported expenses that might be necessary should the Company be unable to continue as a going concern, which could be material.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### *Statement of compliance*

The Company’s consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended December 31, 2014.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars Unless Otherwise Noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Basis of presentation*

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities classified as available-for-sale and share purchase warrants classified as fair value through profit and loss that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
IMPSA Resources Corporation	BC, Canada	Holding company
Valle Del Cura S.A.	Argentina	Exploration company
Desarrollo de Recursos S.A.	Argentina	Exploration company
Golden Arrow Chile Ltda.	Chile	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

### *Foreign currencies*

The presentation and functional currency of the Company and each of its subsidiaries is considered to be the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### *Non-derivative financial assets*

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars Unless Otherwise Noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *i. Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

### *ii. Available-for-sale assets*

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. AFS assets are measured at fair value with changes recorded in other comprehensive loss (income).

### *iii. Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and amounts receivable.

### *Other financial liabilities*

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise accounts payable and accrued liabilities.

### *Property and Equipment*

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over the estimated useful lives of two years for geological equipment and computer software and five years for vehicles. Depreciation of an asset begins once it is available for use.

### *Exploration, Evaluation and Development Expenditures*

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. Proceeds received for farm-out arrangements or recoveries of costs are credited against the cost of the related claims. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars Unless Otherwise Noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral property acquisition costs include cash costs and the fair market value of common shares issued, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related 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.

### *Cash and Cash Equivalents*

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### *Impairment*

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained by the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including an expansion projects. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of (cash-generating units or "CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

### *Valuation of equity units issued in private placements*

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants 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 issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black- Scholes pricing model.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars Unless Otherwise Noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Share-based Payment Transactions*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

### *Loss per Share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### *Income Taxes*

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

### *Significant Accounting Estimates and Judgments*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars Unless Otherwise Noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the year end, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### *Critical accounting estimates*

- i. The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

### *Critical accounting judgments*

- i. Presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- ii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iii. The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- iv. Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves.
- v. The decision to recognize a deferred tax asset is based on management's judgment of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars Unless Otherwise Noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Changes in Accounting Standards*

The Company has adopted these accounting standards effective January 1, 2014. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

#### IAS 32 Financial Instruments: Presentation

IAS 32 updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The adoption of these amendments to the standard did not have an impact on the financial statements of the Company.

#### IAS 36 Impairment of Assets

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The adoption of these amendments did not have an impact on the financial statements of the Company.

#### IFRIC 21 Levies

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 was adopted by the Group on January 1, 2014. The adoption of IFRIC 21 did not affect the Company's financial results or disclosures.

### *New Accounting Standards and Interpretations*

The International Accounting Standards Board ("IASB") has issued new and amended standards and interpretations which have not yet been adopted by the Company. The following is a brief summary of the new and amended standards and interpretations:

#### IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. In July 2014 IFRS 9, Financial Instruments ("IFRS 9") was issued. The completed standard provides revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

#### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

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### 3. PROPERTY AND EQUIPMENT

	Computer Software	Geological Equipment	Vehicles	Total \$
<b>Cost</b>				
Balance at January 1, 2014	26,471	95,683	96,791	218,945
Balance at December 31, 2014	26,471	95,683	96,791	218,945
<b>Accumulated Depreciation</b>				
Balance at January 1, 2014	19,853	80,683	37,321	137,857
Depreciation	6,618	15,000	26,143	47,761
Balance at December 31, 2014	26,471	95,683	63,464	185,618
<b>Carrying Amount</b>				
At January 1, 2014	6,618	15,000	59,470	81,088
At December 31, 2014	-	-	33,327	33,327

	Computer Software	Geological Equipment	Vehicles	Total \$
<b>Cost</b>				
Balance at January 1, 2013	26,471	65,683	111,064	203,218
Additions	-	30,000	-	30,000
Disposals	-	-	(14,273)	(14,273)
Balance at December 31, 2013	26,471	95,683	96,791	218,945
<b>Accumulated Depreciation</b>				
Balance at January 1, 2013	6,617	65,683	27,329	99,629
Depreciation	13,236	15,000	24,265	52,501
Disposals	-	-	(14,273)	(14,273)
Balance at December 31, 2013	19,853	80,683	37,321	137,857
<b>Carrying Amount</b>				
At January 1, 2013	19,854	-	83,735	103,589
At December 31, 2013	6,618	15,000	59,470	81,088

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## 4. MINERAL PROPERTY INTERESTS

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2014 and December 31, 2013:

### Acquisition Costs

	Argentina							
	Fronterra	La Rioja	Caballos	Chinchillas	Darmar	Pescado	Other	Total
	District							
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2014	655,306	14,853	2,431	648,786	100,050	32,640	94,164	1,548,230
Additions								
Staking costs, land payments and acquisition costs	818	-	-	286,100	-	436	6,561	293,915
Write-off of mineral property interests	-	-	-	(100,050)	-	-	-	(100,050)
Balance – December 31, 2014	656,124	14,853	2,431	934,886	-	33,076	100,725	1,742,095

### Exploration Expenditures

	Argentina							Chile	Total \$
	Fronterra	La Rioja	Chinchillas	Caballos	Pescado	Other	Mogote		
	District								
	\$	\$	\$	\$	\$	\$	\$	\$	
Cumulative exploration expenses – January 1, 2014	4,329,275	1,606,601	6,739,988	316,544	844,319	726,396	32,668	14,595,791	
Expenditures during the period									
Assays	-	-	340,522	-	-	2,940	-	343,462	
Drilling	-	-	2,611,627	-	-	-	-	2,611,627	
Geophysics and metallurgy	-	-	205,696	-	-	21,081	-	226,777	
Imagery and base maps	-	-	5,347	-	-	-	-	5,347	
Office	-	-	375,138	699	-	13,869	-	389,706	
Preliminary economic assessment	-	-	102,362	-	-	-	-	102,362	
Property maintenance payments	-	-	52,140	280	-	570	9,515	62,505	
Rehabilitation review	-	-	-	-	-	5,749	-	5,749	
Salaries and contractors	-	-	1,497,738	-	-	49,428	-	1,547,166	
Supplies and equipment	-	-	462,885	-	-	4,984	-	467,869	
Transportation	-	-	147,609	-	-	2,613	-	150,222	
Value added taxes	46	-	344,804	55	25	6,106	-	351,036	
	46	-	6,145,868	1,034	25	107,340	9,515	6,263,828	
Cumulative exploration expenses – December 31, 2014	4,329,321	1,606,601	12,885,856	317,578	844,344	833,736	42,183	20,859,619	

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## 4. MINERAL PROPERTY INTERESTS (continued)

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company was continuing to explore as at December 31, 2013:

### Acquisition Costs

	Argentina							
	Fronterra	La Rioja	Caballos	Chinchillas	Darmar	Pescado	Other	Total
	District	\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2013	653,038	14,547	1,752	300,685	100,050	31,430	81,310	1,182,812
Additions								
Staking costs, land payments and acquisition costs	2,268	306	679	348,101	-	1,210	12,854	365,418
Balance – December 31, 2013	655,306	14,853	2,431	648,786	100,050	32,640	94,164	1,548,230

### Exploration Expenditures

	Argentina							Chile	Total
	Fronterra	La Rioja	Chinchillas	Caballos	Pescado	Other	Mogote	\$	
	District	\$	\$	\$	\$	\$	\$	\$	
Cumulative exploration expenses – January 1, 2013	4,326,553	1,605,670	3,010,078	272,934	844,042	548,398	13,325	10,621,000	
Expenditures during the period									
Assays	-	-	204,244	249	-	2,713	-	207,206	
Drilling	-	-	816,945	-	-	-	-	816,945	
Geophysics and metallurgy	-	-	188,163	-	-	337	-	188,500	
Office	-	33	307,327	7,948	-	17,506	-	332,364	
Preliminary economic assessment	-	-	109,285	-	-	-	-	109,285	
Property maintenance payments	-	-	-	-	-	-	19,343	19,343	
Rehabilitation review	-	-	-	-	-	59,955	-	59,955	
Salaries and contractors	2,268	553	1,147,442	9,208	142	76,346	-	1,235,959	
Supplies and equipment	-	232	381,045	18,938	-	500	-	400,715	
Transportation	-	-	201,134	3,239	-	3,733	-	208,106	
Statutory taxes	454	113	370,900	4,028	135	17,358	-	392,988	
	2,722	931	3,729,910	43,610	277	177,998	19,343	3,974,791	
Cumulative exploration expenses – December 31, 2013	4,329,275	1,606,601	6,739,988	316,544	844,319	726,396	32,668	14,595,791	

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## 4. MINERAL PROPERTY INTERESTS (continued)

### (a) Chinchillas, Jujuy, Argentina

On August 3, 2011, the Company announced an option agreement ("Option Agreement") with a private group to acquire a 100% interest in the Chinchillas Silver Project located in Jujuy Province. On July 11, 2014, the Option Agreement for the Chinchillas Silver Project was amended to allow for an extension of the 3<sup>rd</sup> year option payment in consideration for USD \$6,000 to be paid monthly until the remaining USD \$250,000 is paid. The Company has the option at any time during the period to pay the remaining 3<sup>rd</sup> year option payment of USD \$250,000 without incurring any additional monthly amounts.

Under the terms of the Option Agreement, Golden Arrow may acquire a 100% interest in the Chinchillas project by making the cash payments to the vendor totaling USD \$1,866,000 over four years, as shown below:

Option Payment USD \$	Date
20,000	August 3, 2011 (paid)
80,000	February 3, 2012 (paid)
150,000	August 3, 2012 (paid)
250,000	August 3, 2013 (paid)
150,000	July 21, 2014 (paid)
6,000	August 21, 2014 (paid)
6,000	September 21, 2014 (paid)
6,000	October 21, 2014 (paid)
6,000	November 21, 2014 (paid)
6,000	December 21, 2014 (paid)
6,000	January 21, 2015 (paid subsequent to December 31, 2014)
6,000	February 21, 2015 (paid subsequent to December 31, 2014)
6,000	March 21, 2015 (paid subsequent to December 31, 2014)
6,000	April 21, 2015 (paid subsequent to December 31, 2014)
6,000	May 21, 2015
6,000	June 21, 2015
250,000	July 6, 2015
900,000	July 21, 2015
<b>1,866,000</b>	

Furthermore, the Company must make an additional payment of USD \$1,200,000 to the vendor upon the commencement of commercial production.

### (b) Fronterra District, Argentina

The Company owns a 100% interest in the Fronterra District properties for which it paid consideration of USD \$120,000. The properties are subject to a net smelter return royalty ("NSR") of up to USD \$5,000,000 once commercial production is achieved.

### (c) Varitas, La Rioja, Argentina

The Company owns a 100% interest in the Varitas property in southern La Rioja Province, Argentina.

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## 4. MINERAL PROPERTY INTERESTS (continued)

### (d) Mogote and Purulla Properties, Argentina

On June 3, 2009, the Company announced that it had entered into an agreement to acquire from Iron South Mining Corp. the remaining 51% interest in the Mogote property not already held by the Company and four Peruvian property concessions for consideration of \$168,870 (USD \$150,000) and a 1% NSR. The amount allocated to acquisition costs for Mogote was \$159,763.

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

On June 18, 2012, Vale terminated its option on the Purulla project and on July 5, 2013, Vale terminated its option on the Mogote project.

### (e) Caballos, La Rioja, Argentina

The Company owns a 100% interest in the Caballos property in western La Rioja Province, Argentina.

### (f) Pescado, San Juan, Argentina

The Company owns a 100% interest in the Pescado Gold Project in San Juan Province, Argentina.

## 5. INVESTMENTS

At December 31, 2014, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	76,996 <sup>(1)</sup>	\$8,085
		<u>\$8,085</u>

At December 31, 2013, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	76,996 <sup>(1)</sup>	\$6,930
Premier Royalty Inc. warrants ("Premier Royalty")	1,000,000	\$1,250,000
		<u>\$1,256,930</u>

<sup>(1)</sup> On December 22, 2014, the common shares of Iron South were consolidated on the basis of three (3) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated for number of shares held.

The Company has designated its marketable securities in Iron South Mining Corp. as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive loss in the period in which they occur. An unrealized gain of \$1,155 (2013 – unrealized loss of \$4,620) was recorded for the year ended December 31, 2014.

In connection with the Company's sale of its 1% NSR on Yamana Gold Inc.'s Gualcamayo Gold mine to Premier Royalty Inc. ("Premier") during 2012, it received 1,000,000 warrants to purchase an aggregate of up to 1 million common shares of Premier at an exercise price per share equal to \$2.52 per common share of Premier for a period of two years after the date of issue of the warrants (the "expiry date").

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## 5. INVESTMENTS (continued)

The Company had the right (the “Put Right”) on 30 days’ notice to require Premier to acquire all warrants outstanding at the time for cancellation for a purchase price of \$1.25 per warrant at any time prior to the expiry date for a total of \$1,250,000 if all warrants are put to Premier. During 2013, all the issued and outstanding common shares of Premier were acquired by Sandstorm Gold Ltd. (“Sandstorm”). Sandstorm also acquired the Put Right obligation in favor of the Company as a result of its acquisition of Premier.

The Premier warrants are considered to be derivative financial instruments and are measured each period end at fair value through profit and loss.

On July 18, 2014, the Company exercised its put right with Sandstorm Gold Inc. to acquire all warrants outstanding for cancellation for a total of \$1,250,000.

## 6. CAPITAL AND RESERVES

### *Authorized Share Capital*

At December 31, 2014, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

### *Details of Issues of Common Shares in 2014*

On August 15, 2014, the Company obtained TSX Venture Exchange approval to issue 336,134 common shares of the Company as payment for completion for certain drilling services. The issued shares were escrowed pursuant to the terms of a voluntary escrow agreement, and will be released upon the date of completion of the drilling services or the expiry of three years following the date of the Agreement. See Note 10 for further information.

On December 22, 2014, the Company completed the first tranche of a non-brokered private placement consisting of 5,080,000 units at a price of \$0.20 per unit for gross proceeds of \$1,016,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.25 per share for two years from the date of issue of the warrant. The Company is entitled to accelerate the expiry date of the warrants if the 15-day volume weighted average stock price of the Company trades \$0.35 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day. Finders’ fees were \$26,640 in cash and 132,200 in warrants exercisable into common shares at \$0.25 per share for two years having a fair value of \$13,667. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.01%; expected stock price volatility – 94.87%; dividend yield of 0%; and expected warrant life of 1.47 years.

### *Details of Common Share Repurchases in 2014 and 2013*

On November 19, 2013, the TSX Venture Exchange accepted a notice of intention whereby the Company made a Normal Course Issuer Bid (“NCIB”) to purchase its own common shares for cancellation through the facilities of the Exchange at the prevailing market price. The number of common shares purchased by the Company was in no event to be in excess of 5% of the issued and outstanding common shares, such amount not to exceed 1,000,000 common shares of the 41,823,655 issued and outstanding at the date the NCIB commenced.

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### 6. CAPITAL AND RESERVES (continued)

During 2014, the Company acquired and cancelled 763,500 (2013 – 236,500) of its own common shares for an aggregate purchase price of \$174,143 (2013 - \$48,005) and common share repurchase costs of \$1,909 (2013 - \$591).

#### Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the “Plan”) approved by the Company’s shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on a fixed number of eligible shares equaling 20% of the Company’s outstanding common shares calculated at June 25, 2013, totaling a maximum of 8,364,371 share purchase options.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX Venture Exchange. Share purchase options granted generally vest immediately, are subject to a four-month hold period and are generally exercisable for a period of five years.

The continuity of share purchase options for the year ended December 31, 2014 is as follows:

Expiry date	Exercise Price	December 31, 2013	Granted	Exercised	Expired/ Forfeited	December 31, 2014	Options exercisable
May 7, 2014	\$0.35	1,295,000	-	-	(1,295,000)	-	-
March 31, 2015	\$0.36	100,000	-	-	-	100,000	100,000
April 22, 2015	\$0.36	150,000	-	-	-	150,000	150,000
October 1, 2015	\$0.35	835,000	-	-	-	835,000	835,000
October 29, 2015	\$0.38	75,000	-	-	-	75,000	75,000
November 4, 2015	\$0.40	820,000	-	-	-	820,000	820,000
November 25, 2015	\$0.32	150,000	-	-	-	150,000	150,000
June 24, 2017	\$0.30	50,000	-	-	-	50,000	50,000
November 25, 2017	\$0.32	200,000	-	-	-	200,000	200,000
November 29, 2017	\$0.31	200,000	-	-	-	200,000	200,000
May 28, 2018	\$0.35	200,000	-	-	-	200,000	200,000
March 25, 2019	\$0.35	-	2,505,000	-	-	2,505,000	2,467,500
April 16, 2019	\$0.35	-	380,000	-	-	380,000	342,500
April 30, 2019	\$0.35	-	20,000	-	-	20,000	20,000
		4,075,000	2,905,000	-	(1,295,000)	5,685,000	5,610,000
Weighted average exercise price \$		0.36	0.35	-	0.35	0.35	0.35
Weighted average contractual remaining life (years)		1.66	4.24	-	-	2.79	2.77

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### 6. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the year ended December 31, 2013 is as follows:

Expiry date	Exercise Price	December 31, 2012	Granted	Exercised	Expired/ Forfeited	December 31, 2013	Options exercisable
August 4, 2013	\$0.31	75,000	-	-	(75,000)	-	-
May 7, 2014	\$0.35	1,395,000	-	-	(100,000)	1,295,000	1,295,000
March 31, 2015	\$0.36	100,000	-	-	-	100,000	100,000
April 22, 2015	\$0.36	150,000	-	-	-	150,000	150,000
October 1, 2015	\$0.35	885,000	-	-	(50,000)	835,000	835,000
October 29, 2015	\$0.38	75,000	-	-	-	75,000	75,000
November 4, 2015	\$0.40	820,000	-	-	-	820,000	820,000
November 25, 2015	\$0.32	150,000	-	-	-	150,000	150,000
June 24, 2017	\$0.30	50,000	-	-	-	50,000	50,000
November 25, 2017	\$0.32	200,000	-	-	-	200,000	200,000
November 29, 2017	\$0.31	200,000	-	-	-	200,000	200,000
May 28, 2018	\$0.35	-	200,000	-	-	200,000	200,000
		4,100,000	200,000	-	(225,000)	4,075,000	4,075,000
Weighted average exercise price \$		0.36	0.35	-	0.34	0.36	0.36
Weighted average contractual remaining life (years)		2.46	4.41	-	-	1.66	1.66

The weighted average fair value of share purchase options granted during the year ended December 31, 2014 is \$0.11 (2013 - \$0.15). Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31,	
	2014	2013
Risk-free interest rate	1.47%	1.35%
Expected option life in years	3.6	3.8
Expected share price volatility	82%	82%
Grant date share price	\$0.23	\$0.275
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

#### Warrants

The continuity of warrants for the year ended December 31, 2014 is as follows:

Expiry date	Exercise Price	December 31, 2013	Granted	Exercised	Expired/ Forfeited	December 31, 2014
December 18, 2016	\$0.25	-	5,213,200	-	-	5,213,200
		-	5,213,200	-	-	5,213,200
Weighted average exercise price \$		-	0.25	-	-	0.25

The Company did not have any warrants outstanding as at December 31, 2013.

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## 7. RELATED PARTY BALANCES AND TRANSACTIONS

On April 1, 2010, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group to provide services and facilities to the Company. Grosso Group is a private company that is owned by an officer and director of the Company and also has another common director with the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. The initial fee based on expected usage was \$50,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expired on December 31, 2014 and was automatically renewed for a period of two years pursuant to the terms of the Agreement. The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of \$750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000.

<b>Transactions</b>	Year ended December 31,	
	2014	2013
	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Administration and management services	464,700	261,600
Rent, parking and storage	242,400	214,200
Office & sundry	130,200	90,300
<b>Total for services rendered</b>	<b>837,300</b>	<b>566,100</b>

### *Mr. Joseph Grosso*

Mr. Joseph Grosso, a director and officer of the Company, received share-based benefits of \$55,298 for the year ended December 31, 2014 (2013 - \$Nil).

Oxbow International Marketing Corp. (“Oxbow”) is a private company controlled by Mr. Joseph Grosso. For the year ended December 31, 2014, Oxbow was paid \$125,000 (2013 - \$125,000) for management consulting services. Amounts paid to Oxbow are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

### *Mr. Nikolaos Cacos*

Mr. Nikolaos Cacos, a director of the Company, received share-based benefits of \$22,120 for the year ended December 31, 2014 (2013 - \$Nil).

Cacos Consulting Ltd. (“Cacos Consulting”) is a private company controlled by Mr. Nikolaos Cacos. For the year ended December 31, 2014, Cacos Consulting was paid \$152,500 (2013 - \$120,000) for management consulting services. Amounts paid to Cacos Consulting are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

At December 31, 2014, the Company had \$840 (2013 - \$Nil) included in accounts payable and accrued liabilities to Cacos Consulting.

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## 7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

### *Dr. David Terry*

Dr. David Terry, a director and former officer to the Company, was paid directors and audit committee chair fees of \$16,000 for the year ended December 31, 2014 (2013 - \$16,000) and received share-based benefits of \$11,060 for the year ended December 31, 2014 (2013 - \$Nil).

Vinland Holdings Ltd. ("Vinland") is a private company controlled by Dr. David Terry. For the year ended December 31, 2014, Vinland was paid \$14,925 (2013 - \$16,200) for geological services. Amounts paid to Vinland are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

At December 31, 2014, the Company had \$2,113 (2013 - \$4,334) included in accounts payable and accrued liabilities to Vinland.

### *Mr. Louis Salley*

Mr. Louis Salley, a director of the Company, was paid directors fees of \$12,000 for the year ended December 31, 2014 (2013 - \$7,000) and received share-based benefits of \$16,589 for the year ended December 31, 2014 (2013 - \$Nil). Amounts paid to Mr. Louis Salley are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

Salley Bowes Harwardt Law Corp. ("Salley Bowes Harwardt") is a private company of which Mr. Louis Salley is an owner. For the year ended December 31, 2014, Salley Bowes Harwardt was paid \$49,910 (2013 - \$19,832) for legal services. Amounts paid to Salley Bowes Harwardt are classified as professional fees in the consolidated statements of loss and comprehensive loss.

At December 31, 2014, the Company had \$8,490 (2013 - \$15,307) included in accounts payable and accrued liabilities to Salley Bowes Harwardt.

### *Mr. John Gammon*

Mr. John Gammon, a director of the Company, was paid directors and corporate governance committee chair fees of \$16,000 for the year ended December 31, 2014 (2013 - \$16,000) and received share-based benefits of \$8,295 for the year ended December 31, 2014 (2013 - \$Nil).

## Key management personnel compensation

	Year ended December 31, 2014				Year ended December 31, 2013					
	Share-			Total	Share-			Total		
Compensation	Salaries	based	benefits		Other	Salaries	based		benefits	Other
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Chief Executive Officer	125,000	55,298	-	180,298	156,250	-	62,500 <sup>(1)</sup>	-	218,750	
Chief Financial Officer	56,000	9,717	-	65,717	51,495	14,629	160,378 <sup>(2)</sup>	-	226,502	
Total	181,000	65,015	-	246,015	207,745	14,629	222,878	-	445,252	

(1) Includes a severance payment of \$62,500 to the former Chief Executive Officer during the year ended December 31, 2013.

(2) Includes a one-time performance bonus of \$50,000 and a severance payment of \$110,378 paid to the former Chief Financial Officer during the year ended December 31, 2013.

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### 8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended December 31, 2014 and 2013 was based on the following:

	Year ended December 31,	
	2014	2013
Loss attributable to common shareholders (\$)	8,531,848	6,743,719
Weighted average number of common shares outstanding	41,234,058	41,817,082

Diluted loss per share did not include the effect of 5,685,000 (2013 – 4,075,000) share purchase options and 5,213,200 (2013 – Nil) common share purchase warrants as they are anti-dilutive.

### 9. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2014.

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

	Argentina	
	December 31, 2014	December 31, 2013
Mineral property interests (\$)	1,742,095	1,548,230
Property and equipment (\$)	33,327	81,088
	1,775,422	1,629,318

### 10. COMMITMENTS

#### *Management Services Agreement*

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Management Services Agreement	990,000	990,000	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is \$82,500 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

#### *Chinchillas Option Agreement*

Under the terms of the Chinchillas Option Agreement, signed August 3, 2011, Golden Arrow may acquire a 100% interest in the Chinchillas project by making additional cash payments to the vendor totaling USD \$1,186,000 through 2015, as shown below:

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### 10. COMMITMENTS (continued)

Option Payment USD \$	Date
6,000	January 21, 2015 (paid subsequent to December 31, 2014)
6,000	February 21, 2015 (paid subsequent to December 31, 2014)
6,000	March 21, 2015 (paid subsequent to December 31, 2014)
6,000	April 21, 2015 (paid subsequent to December 31, 2014)
6,000	May 21, 2015
6,000	June 21, 2015
250,000	July 6, 2015
900,000	July 21, 2015
1,186,000	

Furthermore the Company must make an additional payment of USD\$1,200,000 to the vendor upon the commencement of commercial production.

#### *Shares for Services*

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Drilling Services	1,060,392	-	-	-	-
Heavy Equipment Services	46,404				
Subscription receipts	643,648				

#### *Drilling Services*

Under the terms of a shares for services agreement (the "Agreement") signed March 10, 2014 and as amended on November 1, 2014, up to 16,000 meters of drilling shall be paid for by issuing up to a total of 2,378,404 common shares of the Company subject to TSX Venture exchange approval. The issued shares will be escrowed pursuant to the terms of a voluntary escrow agreement, and will be released upon the date of completion of the drilling services or the expiry of three years following the date of the Agreement.

At December 31, 2014, the Company had issued 336,134 (2013 – Nil) common shares and has recognized \$1,060,392 (2013 - \$Nil) for 4,678 meters drilled up to December 31, 2014 to be paid for by issuing common shares of the Company subject to TSX Venture exchange approval in accordance with the terms of the Agreement. See Note 14 for further information.

#### *Heavy Equipment Services*

Under the terms of a shares for heavy equipment services contract (the "Contract") signed November 1, 2014, up to 1,200 hours of heavy equipment services shall be paid for by issuing up to a total of 98,783 common shares of the Company.

At December 31, 2014, the Company has recognized \$46,404 (2013 - \$Nil) for 400 hours of heavy equipment services to be paid for by issuing common shares of the Company subject to TSX Venture exchange approval in accordance with the terms of the Contract.

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## 10. COMMITMENTS (continued)

### Subscription Receipts

On November 18, 2014, the Company announced that it had entered into a Memorandum of Understanding whereby the Company may be advanced up to \$1,120,445 in cash for the proposed issuance of 884,112 common shares of the Company at a price of US\$1.214777.

At December 31, 2014, the Company was advanced US\$537,000 (CDN\$643,648) representing 442,056 common shares of the Company to be issued at a price of \$US1.214777 per share subject to TSX Venture exchange approval. See Note 14 for further information.

## 11. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2014	2013
	\$	\$
Non-cash investing and financing activities		
Commitment to issue shares for drilling and heavy equipment services	1,106,796	-
Agent warrants granted	13,667	-

## 12. INCOME TAXES

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

	2014	2013
	26.00%	25.75%
	\$	\$
(Loss) income before income taxes	(8,531,848)	(6,743,719)
Income tax (recovery) expense at Canadian statutory rates	(2,218,280)	(1,736,508)
Non-deductible differences and others	126,480	(12,389)
Difference between Canadian and foreign tax rates	773,954	298,678
Unrecognized deferred tax assets	1,317,846	1,450,219
Income tax recovery	-	-

Deferred 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:

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### 12. INCOME TAXES (continued)

	2014	2013
	\$	\$
Deferred income tax assets		
Financing costs	10,564	5,386
Non-capital tax loss carry forwards	2,314,676	1,665,599
Resource deductions	2,172,711	1,520,752
Capital assets	57,474	46,870
Marketable securities	122,385	121,357
	<u>4,677,810</u>	<u>3,359,964</u>
Unrecognized deferred income tax assets	<u>(4,677,810)</u>	<u>(3,359,964)</u>
	<u>-</u>	<u>-</u>

The Company has Canadian non-capital loss carryforwards of \$8,901,937 that may be available for tax purposes. The Company's non-capital losses expire as follows:

Expiry Date	\$
2029	721,963
2030	1,317,921
2031	1,767,294
2032	2,918,105
2033	<u>2,176,654</u>
	<u>8,901,937</u>

### 13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

#### (a) Fair Values

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and marketable securities. The Company's marketable securities are classified as available for sale and fair value is determined using closing prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At December 31, 2014 the Company's financial instruments measured at fair value are as follows:

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### 13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

	Carrying amount December 31, 2014	Level 1	Level 2	Level 3
		\$	\$	\$
		Fair value December 31, 2014		
<b>Recurring measurements</b>				
Financial Assets				
Marketable securities	8,085	8,085	-	-

At December 31, 2013 the Company's financial instruments measured at fair value are as follows:

	Carrying amount December 31, 2013	Level 1	Level 2	Level 3
		\$	\$	\$
		Fair value December 31, 2013		
<b>Recurring measurements</b>				
Financial Assets				
Warrant derivative assets	1,250,000	-	-	1,250,000
Marketable securities	6,930	6,930	-	-

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

An analysis of marketable securities including related gains and losses during the year is as follows:

	Year ended December 31,	
	2014	2013
	\$	\$
Marketable securities, beginning of year	6,930	11,550
Purchase of marketable securities	3,048,225	-
Disposition of marketable securities	(3,765,042)	-
Foreign exchange gain on marketable securities	782,902	-
Realized (loss) on marketable securities	(66,085)	-
Unrealized gain (loss) included in other comprehensive income	1,155	(4,620)
Marketable securities, end of year	8,085	6,930

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## 13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

### (b) Financial Instrument Risk Exposure

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal.

Overall the Company's credit risk has not changed significantly from the prior year. The Company places its cash and cash equivalents and short-term investments with financial institutions with high credit ratings, the credit risk is minimal.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future. See Note 1 for further information.

The Company has \$421,390 in accounts payable and accrued liabilities that are due within one year of the date of the statement of financial position.

#### *Market risk*

##### (i) *Currency risk*

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, amounts receivable and accounts payable. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar and between the Canadian dollar and the Argentine Peso is summarized as follows:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by \$2,372.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$12,923.

##### (ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest and short-term investments are redeemable at any time without penalty, with interest paid from the date of purchase. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

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## 13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

### (iii) Capital Management

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop its mineral projects and may require doing so again in the future. See Note 1 for further information.

## 14. SUBSEQUENT EVENTS

### *Private Placements*

- (i) On January 16, 2015, the Company completed the second tranche of a non-brokered private placement consisting of 2,739,000 units at a price of \$0.20 per unit for gross proceeds of \$547,800. Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.25 per share for two years from the date of issue of the warrant. The Company will be entitled to accelerate the expiry date of the warrants if the 15-day volume weighted average stock price of the Company trades \$0.35 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day. Finders' fees were \$2,480 in cash and 12,400 in warrants exercisable into common shares at \$0.25 per share for two years.
- (ii) On January 27, 2015, the Company completed a non-brokered private placement consisting of 442,056 common shares at a price of US\$1.214777 (CDN\$1.456033) per share for gross proceeds of US\$537,000 (CDN\$643,648).
- (iii) On February 23, 2015, the Company completed a private placement consisting of 100,000 units at a price of \$0.20 per unit for gross proceeds of \$20,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.26 per share for two years from the date of issue of the warrant. The Company is entitled to accelerate the expiry date of the warrants if the 15-day volume weighted average stock price of the Company trades \$0.35 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day.

### *Issuance of Shares for Services*

On February 17, 2015, pursuant to the terms of a shares for services agreement (the "Agreement"), the Company obtained TSX Venture Exchange approval to issue 420,168 common shares of the Company as payment for completion for certain drilling services. The issued shares will be escrowed pursuant to the terms of a voluntary escrow agreement, and will be released upon the date of completion of the drilling services or the expiry of three years following the date of the Agreement.