
Golden Arrow Resources Corporation
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

(Expressed in Canadian Dollars)



April 28, 2016

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, 2015 and December 31, 2014 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, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Resources Corporation's ability to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		December 31, 2015 \$	December 31, 2014 \$
	Note		
ASSETS			
Current assets			
Cash and cash equivalents		1,012,725	1,252,471
Investments	4	453,803	8,085
Amounts receivable		179,918	48,712
Exploration funding receivable	3a	2,423,834	-
Prepaid expenses		67,350	123,989
Total current assets		4,137,630	1,433,257
Non-current assets			
Property and equipment		7,184	33,327
Mineral property interests	3	1,737,090	1,742,095
Total non-current assets		1,744,274	1,775,422
Total Assets		5,881,904	3,208,679
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	2,842,125	421,390
Loan payable	5	171,040	-
Related party loans payable	7	697,000	-
Interest payable	7	31,962	-
Total current liabilities		3,742,127	421,390
EQUITY			
Share capital	6	16,362,415	9,953,493
Commitment to issue shares	10	2,929,471	1,750,444
Reserves	6	15,500,228	14,893,400
Deficit		(32,652,337)	(23,810,048)
Total equity		2,139,777	2,787,289
Total Equity and Liabilities		5,881,904	3,208,679

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 28, 2016. 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	2015	2014
		\$	\$
Expenses			
Administration and management services	7	750,200	615,625
Corporate development and investor relations		523,423	452,914
Depreciation		-	21,618
Exploration	3	8,931,139	6,263,828
Exploration and other costs recovery	3a	(4,122,012)	-
Office and sundry	7	235,480	234,820
Professional fees	7	1,465,090	236,891
Rent, parking and storage	7	269,638	258,650
Salaries and employee benefits	7	528,177	545,926
Share-based compensation	7	441,369	319,902
Transfer agent and regulatory fees		61,777	31,408
Travel and accommodation		77,168	151,418
Loss from operating activities		9,161,449	9,133,000
Foreign exchange gain		(1,151,993)	(747,110)
Write-off of mineral property interests	3	656,124	100,050
Interest income		(9,886)	(20,177)
Interest expense	7	34,040	-
Loss on sale of marketable securities	4,13	152,555	66,085
Loss for the year		8,842,289	8,531,848
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Unrealized loss (gain) on available-for-sale marketable securities	13	3,850	(1,155)
Other comprehensive loss for the year		3,850	(1,155)
Comprehensive loss for the year		8,846,139	8,530,693
Basic and diluted loss per common share	8	0.17	0.21

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,	
	2015	2014
	\$	\$
Cash flows from operating activities		
Loss for the year	(8,842,289)	(8,531,848)
Adjustments for:		
Depreciation of property and equipment included in exploration expenses	26,143	26,143
Depreciation	-	21,618
Drilling services received for common shares	3,580,128	1,960,396
Foreign exchange gain on sale of marketable securities	(1,076,968)	(782,902)
Write-off of mineral property interests	656,124	100,050
Loss on sale of marketable securities	265,708	66,085
Unrealized loss on marketable securities	37,276	-
Share-based compensation	441,369	319,902
	<u>(4,912,509)</u>	<u>(6,820,556)</u>
Change in non-cash working capital items:		
(Increase) in amounts receivable	(131,206)	(2,645)
(Increase) in exploration funding receivable	(2,423,834)	-
Decrease (increase) in prepaid expenses	56,639	(98,905)
Increase in interest payable	31,962	-
Increase (decrease) in accounts payable and accrued liabilities	2,420,735	(9,582)
Net cash used in operating activities	<u>(4,958,213)</u>	<u>(6,931,688)</u>
Cash flows from investing activities		
Mineral property interests	(1,624,392)	(293,915)
Proceeds from exercise of warrant put right	-	1,250,000
Option payment proceeds	500,000	-
Purchase of marketable securities, net of transaction costs	(3,043,624)	(3,048,225)
Disposal of marketable securities, net of transaction costs	5,485,090	3,765,042
Net cash generated by investing activities	<u>1,317,074</u>	<u>1,672,902</u>
Cash flows from financing activities		
Issuance of common shares and warrants	1,458,333	1,016,000
Share issue costs	(2,480)	(26,640)
Warrants exercised	27,500	-
Subscription receipts	1,050,000	643,648
Loans received	939,140	-
Loan repayment	(71,100)	-
Repurchases of common shares	-	(172,234)
Share repurchase costs	-	(1,909)
Net cash generated by financing activities	<u>3,401,393</u>	<u>1,458,865</u>
Net (decrease) in cash and cash equivalents	<u>(239,746)</u>	<u>(3,799,921)</u>
Cash and cash equivalents at beginning of year	1,252,471	5,052,392
Cash and cash equivalents at end of year	<u>1,012,725</u>	<u>1,252,471</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			Commitment to issue shares (Note 10) \$	Reserves			Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
	Number of shares	Amount \$	Treasury Stock \$		Contributed surplus \$	Equity settled share-based payments \$	Warrants \$			
Balance at January 1, 2014	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
Repurchases of common shares	(763,500)	(172,234)	-	-	-	-	-	-	-	(172,234)
Share repurchase costs	-	(1,909)	-	-	-	-	-	-	-	(1,909)
Shares issued for drilling services	336,134	853,600	-	-	-	-	-	-	-	853,600
Share-based compensation	-	-	-	-	-	319,902	-	-	-	319,902
Stock options expired	-	-	-	-	208,219	(208,219)	-	-	-	-
Treasury stock cancelled under normal course issuer bid	-	(48,005)	48,005	-	-	-	-	-	-	-
Commitment to issue shares	-	-	-	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
Private placements (Note 6)	8,463,826	3,571,087	-	(1,534,181)	-	-	174,669	-	-	2,211,575
Share issue costs	-	(3,884)	-	-	-	-	-	-	-	(3,884)
Agent warrants granted	-	-	-	-	-	-	1,404	-	-	1,404
Shares issued for drilling services (Note 6)	1,023,152	2,807,455	-	(2,807,455)	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	441,369	-	-	-	441,369
Stock options expired	-	-	-	-	534,984	(534,984)	-	-	-	-
Warrants exercised	110,000	34,264	-	-	-	-	(6,764)	-	-	27,500
Commitment to issue shares (Note 10)	-	-	-	5,520,663	-	-	-	-	-	5,520,663
Total comprehensive (loss) for the year	-	-	-	-	-	-	-	(3,850)	(8,842,289)	(8,846,139)
Balance at December 31, 2015	55,836,767	16,362,415	-	2,929,471	14,153,125	871,792	487,245	(11,934)	(32,652,337)	2,139,777

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, 2015 and 2014

(Expressed in Canadian Dollars Unless Otherwise Noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Golden Arrow Resources Corporation (the “Company” or “Golden Arrow”) was incorporated on July 7, 2004, as a result of a corporate restructuring plan completed by Kobex Minerals Inc. (formerly IMA Exploration Inc.). The address of the Company’s registered office is Suite 411 – 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 resources. 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 \$32,652,337 at December 31, 2015 (December 31, 2014 - \$23,810,048) and equity of \$2,139,777 at December 31, 2015 (December 31, 2014 - \$2,787,289). In addition, the Company has working capital of \$395,503 at December 31, 2015 (December 31, 2014 - \$1,011,867) and negative cash flow from operating activities of \$4,958,213 for the year ended December 31, 2015 (December 31, 2014 - \$6,931,688). 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 matters 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. 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, 2015.

These consolidated financial statements were approved by the Board of Directors of the Company on April 28, 2016.

Golden Arrow Resources Corporation

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(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 as fair value through profit and loss, as well as 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
1049708 B.C. Ltd.	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, 2015 and 2014

(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.

Golden Arrow Resources Corporation

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or share consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

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 any 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

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For the years ended December 31, 2015 and 2014

(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 recognized 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 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

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(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 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 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.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018. 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.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

Golden Arrow Resources Corporation

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3. 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, 2015:

Acquisition Costs

	Argentina						Total \$
	Fronterra District	La Rioja	Caballos	Chinchillas	Pescado	Other	
	\$	\$	\$	\$	\$	\$	
Balance – December 31, 2014	656,124	14,853	2,431	934,886	33,076	100,725	1,742,095
Additions							
Staking costs, land payments and acquisition costs	-	-	-	1,624,392	-	-	1,624,392
Option payment proceeds	-	-	-	(973,273)	-	-	(973,273)
Write-off of mineral property interests	(656,124)	-	-	-	-	-	(656,124)
Balance – December 31, 2015	-	14,853	2,431	1,586,005	33,076	100,725	1,737,090

Exploration Expenditures

	Argentina				Chile		Total \$
	La Rioja	Chinchillas	Caballos	Pescado	Other	Mogote	
	\$	\$	\$	\$	\$	\$	
Cumulative exploration expenses – December 31, 2014	1,606,601	12,885,856	317,578	844,344	833,736	42,183	16,530,298
Expenditures during the period							
Assays	-	402,378	-	-	-	-	402,378
Drilling	-	5,248,907	-	-	-	-	5,248,907
Geophysics and metallurgy	-	11,772	-	-	-	-	11,772
Imagery and base maps	-	1,525	-	-	-	-	1,525
Office	383	607,168	128	-	-	-	607,679
Preliminary economic assessment	-	17,114	-	-	-	-	17,114
Property maintenance payments	-	96,545	233	-	-	6,139	102,917
Resource model and project development	-	48,012	-	-	-	-	48,012
Salaries and contractors	-	1,844,210	-	-	-	-	1,844,210
Social and community	-	92,015	-	-	-	-	92,015
Supplies and equipment	-	362,882	-	-	8,586	-	371,468
Transportation	-	103,348	-	-	-	-	103,348
Value added taxes	14	347,680	13	-	315	-	348,022
Foreign exchange gain on exploration cost recovery	-	(268,228)	-	-	-	-	(268,228)
	397	8,915,328	374	-	8,901	6,139	8,931,139
Cumulative exploration expenses – December 31, 2015	1,606,998	21,801,184	317,952	844,344	842,637	48,322	25,461,137

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3. 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 is continuing to explore as at December 31, 2014:

Acquisition Costs

	Argentina							Total
	Fronterra	La Rioja	Caballos	Chinchillas	Darmar	Pescado	Other	
	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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3. 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 3rd year option payment in consideration for USD \$6,000 paid monthly until the remaining USD \$250,000 was paid. The Company had the option at any time during the period to pay the remaining 3rd year option payment of USD \$250,000 without incurring any additional monthly amounts.

Under the terms of the Option Agreement, Golden Arrow acquired a 100% interest in the Chinchillas project on July 21, 2015 by making cash payments to the vendor totaling USD \$1,866,000 over four years, as shown below:

Option Payment USD \$	Year
20,000	2011
230,000	2012
250,000	2013
180,000	2014
1,186,000	2015
1,866,000	

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

Business Combination and Pre-Development Activities with Silver Standard Resources Inc.

On September 30, 2015, the Company entered into an agreement (the "Agreement") with Silver Standard Resources Inc. ("Silver Standard") to jointly develop the Chinchillas project and an agreement to combine the producing Pirquitas Mine and the Chinchillas project into a single new joint venture.

Subject to an 18-month period of pre-development activities (the "Preliminary Period"), Silver Standard will have the right to commence an arrangement (the "Arrangement") that will see the Pirquitas Mine and the Chinchillas project combined into a 75% Silver Standard 25% Golden Arrow jointly owned mining business, with Silver Standard assuming the role of operator. The Arrangement received shareholder approval on December 16, 2015 and court approval on December 18, 2015.

During the Preliminary Period, Silver Standard will pay Golden Arrow up to CDN\$2,000,000 on completion of certain milestones as detailed below, and invest up to an estimated US\$12,600,000, with a minimum expenditure commitment of US\$4,000,000, at Chinchillas to advance the project and evaluate the feasibility of developing a combined operation.

Payment	Milestone
500,000	Signing of the transaction agreements
500,000	Receipt of shareholder approval
500,000	Six month anniversary of shareholder approval or date of election to proceed with the joint venture
500,000	Twelve month anniversary of shareholder approval or date of election to proceed with the joint venture
2,000,000	

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3. MINERAL PROPERTY INTERESTS (continued)

If Silver Standard elects to proceed with the Arrangement the Company will be paid an amount equal to 25% of the Pirquitas mine's cash equivalent earnings, if any, during the Preliminary Period, less certain expenditures for exploration (including pre-development expenditures), capital investment and closure costs incurred during the Preliminary Period, based on a pre-defined formula, payable on closing of the Arrangement.

For the year ended December 31, 2015, the Company had received \$973,273 for completing certain milestones during the Preliminary Period in relation to pre-development activities at the Chinchillas project.

The schedule below summarizes the exploration and other costs recovery at Chinchillas for the year ended December 31, 2015:

	Amount (\$)
Exploration expenses incurred	
Assaying	165,601
Drilling program costs	3,428,050
Environmental and permitting	11,227
Project management	180,286
Property maintenance costs	38,471
Social and community	30,593
Travel	19,504
Value added taxes	248,280
Exploration and other costs recovery	<u>4,122,012</u>

As at December 31, 2015, the Company received the following in exploration funding for the Chinchillas project:

	Amount (\$)
Exploration and other costs recovery	4,122,012
Less: Exploration funding received	<u>(1,698,178)</u>
Exploration funding receivable for expenses incurred	<u>2,423,834</u>

As at the date of this report, the Company has collected its exploration funding receivable from Silver Standard.

The Company did not receive exploration funding for the year ended December 31, 2014.

(b) Varitas, La Rioja, Argentina

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

(c) Mogote and Purulla Properties, Argentina

The Company owns a 100% interests in the Mogote and Purulla properties in Argentina. The properties are subject to a net smelter return royalty ("NSR") payable to the vendor.

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3. MINERAL PROPERTY INTERESTS (continued)

(d) Caballos, La Rioja, Argentina

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

(e) Pescado, San Juan, Argentina

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

(f) 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.

During the year ended December 31, 2015, the Company determined that it would not be exploring the Fronterra District further, and wrote-off of \$656,124 in acquisition costs.

4. INVESTMENTS

At December 31, 2015, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	76,996	\$4,235
Argentinean Government Bond BONAR17 17APR17 7%	7,170	\$449,568
		<u>\$453,803</u>

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

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

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 loss of \$3,850 was recorded for the year ended December 31, 2015 (2014 – unrealized gain of \$1,155).

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5. LOAN PAYABLE

At December 31, 2015, the Company held the following loan payable:

	December 31, 2015	
	Currency	Amount
Unsecured, 28.08% annual interest rate	Canadian Dollar	\$171,040

On November 5, 2015, the Company entered into a loan facility with an arm's length private Argentinean Company to borrow up to 3,000,000 Argentinean Pesos for working capital purposes. The principal amount of the loan bears interest at the rate of 28.08% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full upon 10 days' notice from the lender 3 months from the date that funds are withdrawn. The Company may repay the loan in whole or in part at any time, without notice or penalty.

As at December 31, 2015, the Company had utilized 1,600,000 Argentinean Pesos of the loan facility. See Subsequent Events (Note 14) for further information.

At December 31, 2014, the Company did not have any loans outstanding.

6. CAPITAL AND RESERVES

Authorized Share Capital

The Company's 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 2015

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 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 21st date. Finders' fees were \$2,480 in cash and 12,400 in warrants exercisable into common shares at \$0.25 per share for two years having a fair value of \$1,404. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 0.89%; expected stock price volatility – 95.86%; dividend yield of 0%; and expected warrant life of 1.44 years.

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).

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. See Note 10 for further information.

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6. CAPITAL AND RESERVES (continued)

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 21st day. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 0.38%; expected stock price volatility – 97.03%; dividend yield of 0%; and expected warrant life of 1.45 years.

On June 4, 2015, the Company completed a private placement consisting of 4,285,714 common shares at a price of \$0.35 per share. Upon closing, the Company received non-cash consideration of 214,592 common shares of Pretium Resources Inc. (TSX: PVG) at a price of \$7.66 per share for gross proceeds of \$1,643,775.

On July 9, 2015, the Company completed a non-brokered private placement consisting of 442,056 common shares at a price of US\$1.214777 (CDN\$1.50) per share for gross proceeds of US\$537,000 (CDN\$663,033).

On July 9, 2015, pursuant to the terms of a shares for services agreement (the “Agreement”), the Company obtained TSX Venture Exchange approval to issue 504,201 common shares of the Company as payment for completion for certain drilling services. See Note 10 for further information.

On July 9, 2015, pursuant to the terms of a shares for heavy equipment services agreement (the “Contract”), the Company obtained TSX Venture Exchange approval to issue 98,783 common shares of the Company as payment for completion of US\$120,000 of drilling and heavy equipment services.

On October 22, 2015, the Company completed a non-brokered private placement financing of 455,000 common shares of the Company at a price of \$0.50 per common share for gross proceeds of \$227,500.

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.

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6. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the year ended December 31, 2015 is as follows:

Expiry date	Exercise Price	December 31, 2014	Granted	Exercised	Expired/ Forfeited	December 31, 2015	Options exercisable
March 31, 2015	\$0.36	100,000	-	-	(100,000)	-	-
April 22, 2015	\$0.36	150,000	-	-	(150,000)	-	-
October 1, 2015	\$0.35	835,000	-	-	(835,000)	-	-
October 29, 2015	\$0.38	75,000	-	-	(75,000)	-	-
November 4, 2015	\$0.40	820,000	-	-	(820,000)	-	-
November 25, 2015	\$0.32	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	2,505,000
April 16, 2019	\$0.35	380,000	-	-	-	380,000	380,000
April 30, 2019	\$0.35	20,000	-	-	-	20,000	20,000
June 11, 2020	\$0.35	-	2,595,000	-	-	2,595,000	2,576,250
		5,685,000	2,595,000	-	(2,130,000)	6,150,000	6,131,250
Weighted average exercise price \$		0.35	0.35	-	0.37	0.35	0.35
Weighted average contractual remaining life (years)		2.79	4.70	-	-	3.62	3.61

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 weighted average fair value of share purchase options granted during the year ended December 31, 2015 is \$0.17 (2014 - \$0.11). 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,	
	2015	2014
Risk-free interest rate	0.86%	1.47%
Expected option life in years	3.6	3.6
Expected share price volatility	87%	82%
Grant date share price	\$0.30	\$0.23
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

Warrants

The continuity of warrants for the year ended December 31, 2015 is as follows:

Expiry date	Exercise Price	December 31, 2014	Issued	Exercised	Expired/ Forfeited	December 31, 2015
December 18, 2016	\$0.25	5,213,200	-	-	-	5,213,200
January 15, 2017	\$0.25	-	2,751,400	(110,000)	-	2,641,400
February 22, 2017	\$0.26	-	100,000	-	-	100,000
		5,213,200	2,851,400	(110,000)	-	7,954,600
Weighted average exercise price \$		0.25	0.25	0.25	-	0.25

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

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. 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.

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7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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.

Transactions	Year ended December 31,	
	2015	2014
	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Administration and management services	603,400	464,700
Rent, parking and storage	256,600	242,400
Office & sundry	133,360	130,200
Total for services rendered	993,360	837,300

At December 31, 2015, the Company had \$1,006 (2014 - \$Nil) included in accounts payable and accrued liabilities to Grosso Group.

Mr. Joseph Grosso

Mr. Joseph Grosso, a director and chief executive officer of the Company, and his spouse, received share-based benefits of \$144,723 for the year ended December 31, 2015 (2014 - \$55,298).

Oxbow International Marketing Corp. (“Oxbow”) is a private company controlled by Mr. Joseph Grosso. For the year ended December 31, 2015, Oxbow was paid \$125,000 (2014 - \$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.

At December 31, 2015, the Company had \$48,686 (2014 - \$Nil) included in accounts payable and accrued liabilities to Oxbow.

Related Party Loans Payable

At December 31, 2015, the Company had the following related party loans payable:

	December 31, 2015		
	Maturity	Currency	Amount
Unsecured, non-interest bearing	On demand	Canadian dollar	\$200,000
Unsecured, 12% annual interest rate	On demand	Canadian dollar	\$300,000
Unsecured, 12% annual interest rate	On demand	Canadian dollar	\$50,000
Unsecured, 12% annual interest rate	On demand	Canadian dollar	\$147,000
			\$697,000

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7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

During the year ended December 31, 2015, the Company entered into loan agreements with the spouse of the Chief Executive Officer of the Company. The principal amount of the loans was used for working capital purposes. The principal balance of the loans, together with all accrued and unpaid interest thereon shall become due and payable in full on the maturity date. The Company may repay the loans in whole or in part at any time, without notice or penalty.

At December 31, 2015, the Company had \$25,002 (2014 - \$Nil) included in interest payable to a related party.

At December 31, 2014, the Company did not have any related party loans outstanding.

Mr. Nikolaos Cacos

Mr. Nikolaos Cacos, a director of the Company, received share-based benefits of \$68,105 for the year ended December 31, 2015 (2014 - \$22,120).

Cacos Consulting Ltd. ("Cacos Consulting") is a private company controlled by Mr. Nikolaos Cacos. For the year ended December 31, 2015, Cacos Consulting was paid \$195,000 (2014 - \$152,500) 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, 2015, the Company had \$Nil (2014 - \$840) included in accounts payable and accrued liabilities to Cacos Consulting.

Dr. David Terry

Dr. David Terry, a director and former officer to the Company, was paid director and audit committee chair fees of \$16,000 for the year ended December 31, 2015 (2014 - \$16,000) and received share-based benefits of \$34,053 for the year ended December 31, 2015 (2014 - \$11,060).

Vinland Holdings Ltd. ("Vinland") is a private company controlled by Dr. David Terry. For the year ended December 31, 2015, Vinland was paid \$10,800 (2014 - \$14,925) 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, 2015, the Company had \$2,518 (2014 - \$2,113) included in accounts payable and accrued liabilities to Vinland.

Mr. Louis Salley

Mr. Louis Salley, a director of the Company, was paid director fees of \$12,000 for the year ended December 31, 2015 (2014 - \$12,000) and received share-based benefits of \$34,053 for the year ended December 31, 2015 (2014 - \$16,589). Amounts paid to Mr. Louis Salley are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

At December 31, 2015, the Company had \$4,000 (2014 - \$Nil) included in accounts payable and accrued liabilities to Mr. Louis Salley.

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7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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, 2015, Salley Bowes Harwardt was paid \$24,312 (2014 - \$49,910) 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, 2015, the Company had \$14,674 (2014 - \$8,490) included in accounts payable and accrued liabilities to Salley Bowes Harwardt.

Mr. John Gammon

Mr. John Gammon, a director of the Company, was paid director and corporate governance committee chair fees of \$16,000 for the year ended December 31, 2015 (2014 - \$16,000) and received share-based benefits of \$17,026 for the year ended December 31, 2015 (2014 - \$8,295).

At December 31, 2015, the Company had \$8,000 (2014 - \$Nil) included in accounts payable and accrued liabilities to Mr. John Gammon.

Key management personnel compensation

	Year ended December 31, 2015			Year ended December 31, 2014		
	Salaries \$	Share- based benefits \$	Total \$	Salaries \$	Share- based benefits \$	Total \$
Compensation⁽¹⁾						
Chief Executive Officer	125,000	119,184	244,184	125,000	55,298	180,298
Chief Financial Officer	60,000	8,513	68,513	56,000	9,717	65,717
Total	185,000	127,697	312,697	181,000	65,015	246,015

⁽¹⁾The table does not include amounts paid to non-executive directors.

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended December 31, 2015 and 2014 was based on the following:

	Year ended December 31,	
	2015	2014
Loss attributable to common shareholders (\$)	8,842,289	8,531,848
Weighted average number of common shares outstanding	52,853,400	41,234,058

Diluted loss per share did not include the effect of 6,150,000 (2014 - 5,685,000) share purchase options and 7,954,600 (2014 - 5,213,200) common share purchase warrants as they are anti-dilutive.

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9. SEGMENTED INFORMATION

The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2015.

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

	Argentina	
	December 31, 2015	December 31, 2014
Mineral property interests (\$)	1,737,090	1,742,095
Property and equipment (\$)	7,184	33,327
	1,744,274	1,775,422

10. COMMITMENTS

Management Services Agreement

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Management Services Agreement	708,000	-	-	-	-

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 \$59,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Commitment to Issue Shares

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Drilling Services (i)	1,879,471	-	-	-	-
Subscription receipts (ii)	1,050,000	-	-	-	-
Commitment to issue shares	2,929,471	-	-	-	-

(i) *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.

For the year ended December 31, 2015, the Company issued 924,369 (2014 – 336,134) common shares in respect of drilling services received and has recognized \$1,879,471 (2014 - \$1,060,392) for 3,680 meters drilled up to December 31, 2015 (2014 – 4,678 meters) 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.

At December 31, 2015, the Company has cumulatively issued 1,260,503 common shares and has recognized \$4,536,137 for a total of 14,680 meters of drilling services received since the commencement of the Agreement.

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10. COMMITMENTS (continued)

(ii) Subscription Receipts

As at December 31, 2015, the Company was advanced \$1,050,000 representing 2,625,000 common shares of the Company to be issued at a price of \$0.40 per share subject to TSX Venture exchange approval (see Note 14 for further information).

Argentina Value Added Taxes

As at December 31, 2015, the Company has approximately \$146,249 (US\$105,671) in non-recovered value added taxes incurred during the Preliminary Period which, pursuant to the terms of an initial exploration program agreement with, among others, Silver Standard (see Note 3a for further information), will become payable to Silver Standard in cash or common shares of the Company if the election to not proceed with the Arrangement is made. These costs currently form part of the exploration expenditures of the Company.

11. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2015	2014
	\$	\$
Non-cash investing and financing activities		
Marketable securities received for private placement	1,643,775	-
Marketable securities received for option payment	473,275	-
Commitment to issue shares for drilling services	1,879,471	1,106,796
Shares issued for drilling services	2,807,453	-
Agent warrants granted	1,404	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:

	2015	2014
	26.00%	26.00%
	\$	\$
Statutory tax rate		
(Loss) income before income taxes	(8,842,289)	(8,531,848)
Income tax (recovery) expense at Canadian statutory rates	(2,298,995)	(2,218,280)
Non-deductible differences and others	1,062,130	126,480
Difference between Canadian and foreign tax rates	(557,066)	773,954
True-up of prior period unrecognized deferred tax assets	(2,841,968)	-
Unrecognized deferred tax assets	4,635,899	1,317,846
Income tax recovery	-	-

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12. INCOME TAXES (continued)

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:

	2015	2014
	\$	\$
Deferred income tax assets		
Financing costs	7,393	10,564
Non-capital tax loss carry forwards	3,326,398	2,314,676
Resource deductions	5,791,068	2,172,711
Capital assets	65,965	57,474
Marketable securities	122,885	122,385
	<u>9,313,709</u>	<u>4,677,810</u>
Unrecognized deferred income tax assets	<u>(9,313,709)</u>	<u>(4,677,810)</u>
	<u>-</u>	<u>-</u>

The Company has Canadian non-capital loss carryforwards of \$12,793,178 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	2,910,039
2034	<u>3,157,856</u>
	<u>12,793,178</u>

At December 31, 2015, the Company had a net operating loss carryforward for Argentina income tax purposes of approximately \$162,900 (2014 - \$25,897)

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 assets consist of cash and cash equivalents, amounts receivable and investments. For investments classified as available for sale, fair value is determined using closing prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income. For investments classified as fair value through profit or loss, fair value is determined using closing prices at the balance sheet date with any unrealized gain or loss recognized in profit or loss.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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, 2015 the Company's financial instruments measured at fair value are as follows:

	Carrying amount December 31, 2015	Level 1	Level 2	Level 3
		\$	\$	\$
Recurring measurements		Fair value		
		December 31, 2015		
Financial Assets				
Investments	453,803	453,803	-	-

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

	Carrying amount December 31, 2014	Level 1	Level 2	Level 3
		\$	\$	\$
Recurring measurements		Fair value		
		December 31, 2014		
Financial Assets				
Investments	8,085	8,085	-	-

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 investments including related gains and losses during the year is as follows:

	Year ended December 31,	
	2015	2014
	\$	\$
Investments, beginning of year	8,085	6,930
Marketable securities received for private placement	1,643,775	-
Marketable securities received for option payment	473,275	
Purchase of marketable securities	3,043,624	3,048,225
Disposition of marketable securities	(5,485,090)	(3,765,042)
Foreign exchange gain on marketable securities	1,076,968	782,902
Realized and unrealized (loss) on marketable securities	(302,984)	(66,085)
Unrealized (loss) gain included in other comprehensive income	(3,850)	1,155
Investments, end of year	453,803	8,085

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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, amounts receivable and exploration funding receivable. The majority of the Company's receivables result from exploration funding for expenses incurred and are with a reputable mining company in good standing.

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 \$2,842,125 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, exploration funding receivable, accounts payable, loan payable and interest 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 at December 31, 2015 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 \$337,071.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$97,552.

(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.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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

14. SUBSEQUENT EVENTS

Repayment of Loan Payable

On January 14, 2016, the Company repaid the principal balance of its loan payable, together with all accrued and unpaid interest totalling \$178,000.

Lease Agreement

On January 29, 2016, the Company entered into an office lease agreement for a term of two years. The Company is committed to pay monthly rent of \$6,834. The Company has the option to renew the lease at the time of expiry for an additional four year term.

Private Placements

- On February 17, 2016, the Company completed a non-brokered private placement financing of 2,918,000 units at a price of \$0.40 per unit for gross proceeds of \$1,167,200. Each unit consists 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 \$0.30 per share for one year from the date of issue of the warrant. Finders' fees were \$10,500 in cash and 39,000 in common shares at a price of \$0.25 per share.
- On April 20, 2016, the Company announced a non-brokered private placement financing of 7,750,000 units at a price of \$0.27 per unit for gross proceeds of \$2,092,500. Each unit consists of one common share and one transferable warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.30 per share for two years from the date of issue. On April 26, 2016, the Company announced that the private placement financing had been increased by an additional 800,000 units at a price of \$0.27 per unit for gross proceeds of an additional \$216,000. Each additional unit consist 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 \$0.33 per share for two years from the date of issue. The Company may pay finder's fees on a portion of the offering in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

Stock Options Granted

- On April 20, 2016, the Company announced it has granted stock options to consultants, management company employees, officers and directors of the Company to purchase up to 1,200,000 common shares at a price of \$0.32 per share exercisable for a period of five years and subject to a four month hold period.
- On April 20, 2016, the Company announced it has granted stock options to an investor relations consultant to purchase up to 350,000 common shares at a price of \$0.32 per share exercisable for period of two years, subject to a four month hold period and shall vest in accordance with the provisions of the Company's stock option plan and the policies of the TSX Venture Exchange.

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14. SUBSEQUENT EVENTS (continued)

- On April 28, 2016, the Company announced it has granted stock options to consultants, management company employees, officers and directors of the Company to purchase up to 660,000 common shares at a price of \$0.42 per share exercisable for a period of five years and subject to a four month hold period.

Warrants Exercised

Subsequent to December 31, 2015, 3,900,200 warrants were exercised at a price of \$0.25 per warrant for gross proceeds of \$975,050.