

**GOLDEN ARROW RESOURCES CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**

**Introduction**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Golden Arrow Resources Corporation ("Golden Arrow" or "the Company") for the six months ended June 30, 2014 and 2013 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of August 25, 2014.

**Company Overview**

Golden Arrow Resources Corporation was created 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 a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company's material mineral property interest is located in South America. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties.

**Principal Properties**

The Company's properties are all located in Argentina and include over 227,000 ha in five provinces. The following summary discusses only the most active/material projects. Unless otherwise stated, the technical information provided below has been reviewed by Brian McEwen, P.Geol., a Qualified Person as defined under National Instrument 43-101.

*1. Net Smelter Royalty with Yamana, Gualcamayo Mine, San Juan*

On May 29, 2009 the Company received its first quarterly payment from Yamana Gold Inc. ("Yamana") from the Company's 1% net smelter returns royalty ("NSR") from the production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina.

On November 12, 2012, the Company announced the closing of the sale by Golden Arrow and purchase by Premier Gold Mines Limited (PG:TSX, "Premier Gold") through its wholly-owned subsidiary, Premier Royalty Inc. ("Premier Royalty"), of the 1% NSR on Yamana Gold Inc.'s Gualcamayo Gold mine (the "Royalty"). Premier Royalty purchased the Royalty for \$16,500,000 in cash plus 1 million warrants to purchase an aggregate of up to 1 million shares of Premier Royalty at an exercise price per share equal to 120% of the IPO or "go public" price for a period of two (2) years after the date of issue of the warrants (the "expiry date"). The Company will have the right (the "Put Right") on 30 days' notice to require Premier Royalty 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 Royalty. Premier Gold has agreed to guarantee Premier Royalty's obligations under the Agreement, including the payment obligation upon the Company's exercise of the Put Right making the total transaction price a minimum of \$17,750,000.

During the year ended December 31, 2013, all the issued and outstanding common shares of Premier were acquired by Sandstorm Gold Ltd. ("Sandstorm") and as a result of the acquisition, the Company is entitled to exercise its 1,000,000 warrants of Premier to purchase 145,000 common shares of Sandstorm. Sandstorm has also acquired the Put Right obligation in favor of the Company as a result of its acquisition of Premier.

## 2. Chinchillas Silver-Lead-Zinc Project, Jujuy

On August 3, 2011 the Company signed an option agreement ("Option Agreement") with a private group to acquire a 100% interest in the Chinchillas Project located in Jujuy Province by making cash payments to the vendor totaling US \$1.8 million over four years. The Chinchillas Project includes two exploitation concessions ("Minas") totalling 1160 hectares, both of which are permitted for drilling.

The Chinchillas Project is located in the prolific Bolivian silver-zinc-tin belt which extends into northern Argentina. The project is road accessible, and work can be completed year-round.

Chinchillas is a Tertiary aged diatreme volcanic complex that has erupted through the Paleozoic basement schists. The resulting depression or basin, filled with volcanic breccias and tuffs is approximately 1.5 kilometres in diameter. Mineralization occurs within the basin, hosted in favorable volcanic tuff units, hydrothermal breccias and along faults and structural zones as well as with basement schists and across the schist volcanic contacts. The mineralization occurs mostly as disseminations, veinlets and matrix filling in the volcanics, and within the basement as silver, lead and zinc in structures and breccias.

Historical drilling on the property includes of 2,996 m in 14 holes (7 RC and 7 diamond holes) by two previous operators within a 1.0 km by 0.4 km area. This drilling tested five main mineralized targets, providing focus for the Company's first drill program on two main zones: The Socavon del Diablo Zone: host to Ag-Zn-Pb mineralization in volcanic tuffs and breccia in the eastern part of the basin, and; The Silver Mantos Zone; a near surface area in the western part of the basin with several historic high grade silver intersections in flat-lying tuff and breccia zones.

Between April and June, 2012, the Company completed a 27 hole, 3,224 m drill program that focused on the Silver Mantos (12 holes) and Socavon del Diablo (9 holes) zones, with the remaining 6 holes testing outside targets. The program was successful in confirming and expanding the mineralized zones at Silver Mantos and Socavon del Diablo and in discovering new mineralized zones. Results were reported in news releases dated June 14, June 20, July 5, July 10 and July 24, 2012. Following the Phase I program, both zones remained open to expansion in all directions.

On November 26, 2012, the Company announced the commencement of a Phase II drill program of approximately 6,500 metres. The drill plan included infill and expansion holes as well as the testing of new areas, with the overall program designed to define a NI 43-101 compliant silver-lead-zinc resource at Chinchillas in 2013.

The Phase II drill program was concluded in early March 2013, and exceeded the planned drilling with a total of 7,286 metres completed over 49 holes. The step-out drilling successfully expanded the Socavon del Diablo and Silver Mantos mineralized zones in most directions. In addition, a second style of mineralization was identified in, and at the contact with, the Ordovician basement pelites and sandstone schists. This basement mineralization is characterized by silver, lead and zinc in structures and breccias within the basement schists, occurring beneath the volcanic hosts.

Phase II drill results were reported in news releases dated January 16, February 27, March 14, and April 11, 2013. For full details the reader is referred to the original news releases, as well as drill plan maps and summary tables of results posted to the Company's website.

The results of all drilling were compiled and modeled, and on May 9<sup>th</sup>, 2013, the Company reported the first NI 43-101 compliant resource estimate for the Chinchillas Project:

**Table 1. Mineral Resource Statement for the Chinchillas Project, May 9th 2013**

Resource Class/Zone	Tonnage (Mt)	Ag Grade	Pb Grade	Zn Grade	Ag Eq Grade	Ag	Pb		Zn		Total Ag Eq
		(g/t)	(%)	(%)	(g/t)	(Moz)	(Mlbs)	Ag Eq (MOz)	(Mlbs)	Ag Eq (MOz)	(MOz)
<b>Indicated Resources</b>											
Silver Mantos	7.2	118.6	0.57	0.48	141.2	27.4	90.2	2.8	76.0	2.4	32.6
<b>Total Indicated Resources</b>	<b>7.2</b>	<b>118.6</b>	<b>0.57</b>	<b>0.48</b>	<b>141.2</b>	<b>27.4</b>	<b>90.2</b>	<b>2.8</b>	<b>76.0</b>	<b>2.4</b>	<b>32.6</b>
<b>Inferred Resources</b>											
Silver Mantos	3.3	90.7	0.51	0.43	111.0	9.7	37.5	1.2	31.6	1.0	11.9
Mantos Contact	2.5	78.7	0.71	0.88	113.1	6.3	39.0	1.2	48.4	1.5	9.1
Mantos Basement	8.4	99.5	0.85	0.24	123.0	26.8	157.3	5.0	44.4	1.4	33.2
Socavon del Diablo	6.8	46.6	0.58	1.1	82.8	10.2	86.7	2.7	164.5	5.2	18.1
<b>Total Inferred Resources</b>	<b>21.0</b>	<b>78.5</b>	<b>0.69</b>	<b>0.62</b>	<b>107.0</b>	<b>53.0</b>	<b>320.5</b>	<b>10.1</b>	<b>288.9</b>	<b>9.1</b>	<b>72.2</b>

*Notes:*

1. Resources in Table 1 are reported at 50g/t silver equivalent cut-off, at \$27/ ounce Silver, \$0.85/ pound Zinc and \$0.85/pound Pb at 100% recovery.
2. Silver equivalent calculations were used because of the contribution to value that Pb and Zn add to the deposit, especially in the zinc-rich Socavon del Diablo Zone
3. Golden Arrow did not complete an economic evaluation to calculate the cut-off grade. A cut-off grade of 50 g/t silver equivalent is used for reporting purposes as 50 g/t Ag is utilized by Silver Standard at their Pirquitas Mining operation located 30kms from Chinchillas.
4. Totals may not add correctly due to rounding
5. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability.
6. The quantity and grade of reported Inferred resources are uncertain in nature and there has been insufficient exploration to classify these inferred resources as Indicated or Measured, and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured category.
7. The resource estimate and associated information was prepared by independent consultants to the Company, Mr. Bruce Davis, Ph.D. FAusIMM, of BD Resource Consulting Inc., and Mr. Kyle Howie, B.Sc., MAIG.

Silver-lead-zinc mineralization included within the resource model occurs in two main areas at Chinchillas: the Silver Mantos and Socavon del Diablo Zones. The Silver Mantos zone is further sub-divided into three units based on host rock and geometry; Silver Mantos, Mantos Contact, and Mantos Basement zones.

**Silver Mantos:** Located in the western area of the deposit, the Silver Mantos zone of the resource comprises an area of approximately 20 hectares (550 metres by 450 metres) as defined by 46 drill holes, with drill hole spacing between 50 and 100 metres. In the Silver Mantos subzone, mineralization is disseminated in two or more shallow dipping layers hosted within clay altered pyroclastic tuffs and breccias, between surface and approximately 100 metres depth and is open to expansion in most directions (north, east, west, south west and south east). Mineralization is mainly silver, with less lead and zinc. The silver is thought to occur mostly in silver sulphosalts, such as boulangerite and tetrahedrite, which occurs as black fine-grained and disseminated crystals with galena and sphalerite in the volcanic tuffs. Sulphide mineralization is also occasionally noted as matrix infill of breccia structures and open spaces in coarser tuffs which could also be interpreted as hydrothermal breccias.

The Mantos Contact subzone occurs on the contact between volcanics and basement and is more steeply dipping toward the center of the basin. The contact zone is open to expansion at depth and to the east and west and on the northern side of the basin. The Mantos Basement subzone is hosted entirely within the basement pelites and sandstones and is comprised predominantly of breccias, and minor small veinlets, fracture filling and mineralized structures.

**Socavon del Diablo:** The Socavon del Diablo zone of the resource is located in the eastern area of the deposit where 25 drill holes defined a mineralized area of approximately four hectares (280 metres by 175 metres). Mineralization is dominated by manto-style disseminated sulphides within favorable shallow dipping volcanic tuff horizons but also includes crosscutting structures, hydrothermal breccias, and some mineralized structures and breccias within basement sediments. Socavon del Diablo mineralization is in general lower silver and higher zinc content as compared to the Silver Mantos zone. For additional details, please refer to the original news release posted to SEDAR dated May 9<sup>th</sup> 2013, as well as the NI 43-101 Technical Report with full disclosure of the mineral resource estimate posted to SEDAR dated June 20<sup>th</sup>, 2013.

As part of the Phase II program, the Company initiated a first round of metallurgical testing on samples from Chinchillas. Preliminary results of this testing were released May 6<sup>th</sup>, 2013 and the associated news release is filed on SEDAR. The test work was completed by Inspectorate Exploration & Mining Services Ltd. ("Inspectorate") of Richmond, B.C Canada under the direction of the Company's consulting metallurgist and Qualified Person, Mr. John Fox, B.Sc., P.Eng. of Laurion Consulting Inc.

Three samples of approximately 50kg each were shipped to Inspectorate. The samples included representative composite samples of drill core from the Silver Mantos and Socavon del Diablo zones, as well as the mineralized basement. Initially, a rougher flotation test was done at three different grind levels and sampled in four stages. The Chinchillas samples responded very well to flotation and were found not to be sensitive to grind size. Maximum rougher silver recoveries were 99.8, 97.0 and 99.3% in the Basement, Socavon and Silver Mantos composites, respectively. The lead recoveries were also very high, at between 96.5 and 98.1% for all rougher tests, while zinc recoveries were generally lower, between 66.0% and 96.1%. Following the rougher tests, cleaner flotation testing returned silver grades from 554 g/t in the zinc-rich Socavon composite to 11,268 g/t in the Silver Mantos composite, with silver recoveries for all three in the range of 89-92%.

Metallurgical test work continued in 2013, to optimize the flowsheet to produce a separate high-grade silver-bearing lead concentrate and a zinc concentrate.

In the third quarter of 2013, a surface exploration program, including surface mapping, sampling and a ground magnetic geophysical survey, was undertaken to define new drill targets in preparation for a Phase III drill program.

Prior to starting more drilling, it was determined that the size of the resource, the favorable geometry of the deposit to open pit mining, the encouraging preliminary metallurgical test results, and the good infrastructure at the property offered the Company an opportunity to complete a preliminary economic assessment to provide investors and interested parties with a baseline for the potential economics of the Project. This study was undertaken in the fourth quarter of 2013 and the results were announced in a news release dated December 5<sup>th</sup>. The NI 43-101 Preliminary Economic Assessment (PEA) technical report was filed on SEDAR dated January 20<sup>th</sup>, 2014. The results are summarized below.

The PEA is based on the mineral resource estimate shown above, dated May 9<sup>th</sup>, 2013. The PEA is considered preliminary in nature. All mineralized material classified as indicated and inferred mineral resources are considered in the pit optimization and mine plan. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. In addition, inferred resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and it is uncertain if further exploration will result in upgrading these resources.

#### ***Project Development Plan***

The project concept is to develop an owner-operated open pit silver-lead-zinc mine with an on-site concentrator using conventional flotation concentration methods to produce a silver-bearing lead concentrate and a zinc concentrate.

A series of pit optimizations were run using the resource block model, applying a range of metal prices and recoveries, and estimated costs for mining, processing, and general and administrative (G&A). The operational pits were designed based on the optimized shells, and the potentially mineable portion of the resource was estimated within those pits. The ultimate pit contains a total of 81 million tonnes of combined mill feed and waste material including 25 million tonnes of mill feed, for a strip ratio of 2.2:1. The mill feed tonnages incorporates an ore loss factor of 3% and dilution at 10%.

A mill production rate of 6,300 tons per day is assumed. The production schedule includes one year of pre-production pre-stripping, mainly to acquire material to build the tailings starter dam, followed by twelve years of operating mine life.

It is assumed that lead and zinc concentrates will be shipped to a smelter/refiner via Antofagasta, Chile. An estimated 64.5 million ounces of silver are to be produced through the life of the mine, at an average diluted head grade of 86.1g/t silver. In addition, 253 million pounds of zinc and 305 million pounds of lead will be produced with average head grades of 0.56% zinc and 0.64% lead respectively.

**Project Economics**

The PEA project economics are based on long term metal prices of \$US 22.00/oz silver, \$US 1.00/lb lead, \$US 1.00/lb zinc. Management has assumed a base case long-term price scenario of \$22 per ounce of silver and an 8% discount rate. The silver price was based on a survey of silver price forecasts provided by CPM Group that projected between \$22 and \$23 per ounce in 2015, the estimated Project start date. The revenue is mainly derived from silver with lead and zinc as by-products. The lead-silver concentrate generates 88% of the total revenue. Table 2 summarizes the parameters of the cash flow model.

**Table 2. Cash Flow Analysis Summary**

<b>Parameter</b>	<b>Unit</b>	
Average Annual Silver Production	Moz	5.4
Total Ag produced	Moz	64.5
Average Ag grade	g/t	86.1
Average Ag recovery (Pb Con)	%	85%
Life of Mine	years	12
Total Unit operating cost	\$/t feed	\$27.96
Total Unit cash cost without credits	\$/oz Ag	\$10.96

The cash flow model includes a provincial mining royalty of 3% on the mine head value and a federal income tax at 35%. The export tax rate has been assumed at 7.5%, which is based on a 10% tax rate less a 2.5% credit for projects located in the Puna region, as outlined in Resolution No. 762/93 of the Ministry of Economy of Argentina. Table 3 summarizes the financial analysis from the cash flow model.

**Table 3. Financial Analysis**

	<b>Before Tax</b>	<b>After Tax</b>
<b>NPV 0%</b> (millions)	\$451.4	\$289.7
<b>NPV 5%</b> (millions)	\$255.3	\$153.0
<b>NPV 8%</b> (millions)	\$177.5	\$ 98.5
<b>IRR</b>	22.4%	17.5%
<b>Payback period</b> (years)	3.6	3.8

Capital and operating costs were estimated at +/-35% by the qualified persons based on their experience with similar operations. The capital and operating costs are summarized in Tables 4 and 5 below.

**Table 4. Summary of Capital Costs, including 25% contingency, US\$(millions)**

Pre-production Capital (Includes pre-stripping, mining capital costs, process plant, infrastructure)	\$202.3
Sustaining Capital over life-of-mine	\$56.8
<b>Total Capital</b>	<b>\$259.1</b>

**Table 5. Summary of Unit Operating Cost Assumptions, US\$**

		<b>Unit Cost</b>	<b>\$/t feed</b>
Mining – Ore	\$/t material	\$2.47	\$2.47
Mining – Waste (2.2:1 strip)	\$/t material	\$2.47	\$5.44
Processing	\$/t feed	\$16.00	\$16.00
Tailings	\$/t feed	\$0.11	\$0.11
G&A	\$/t feed	\$3.94	\$3.94
<b>Total</b>			<b>\$27.96</b>

**Metallurgy and Processing**

Metallurgical test work was undertaken at Inspectorate Exploration and Mining Services Ltd. and the PEA incorporates test results to September 2013. Samples representing the three main zones of mineralization have been tested. However, it has been determined that the material representing the basement zone had not been properly sampled and was not representative. A new sample was taken but testing was not complete at the time of publishing the PEA. As the mineralization of that zone is mainly silver with significantly less lead and zinc, it is broadly similar to that of Silver Mantos and Contact zones. For the purposes of the PEA only two mineralization types were considered. Ore type 1 includes material from the Silver Mantos, Contact and Basement zones while Ore type 2 includes the Socavon del Diablo zone. These two mineralization types have demonstrated amenability to selective flotation and yielded commercial concentrates by conventional methods, and there are no significant penalty elements in either concentrate. The metallurgical test work completed to date is preliminary, and on-going work is addressing optimization of the process for all mineralization types.

The planned processing plant for Chinchillas is designed to process polymetallic mineralization at a rate of 6,000 tonnes per day. The proposed processing flow sheet consists of primary crushing, grinding in SAG/Ball mills and differential flotation to sequentially float ore from the pulp, producing first a silver-bearing lead concentrate and then a zinc concentrate. The rougher concentrates will subsequently be cleaned to enhance concentrate grades.

The Chinchillas Project’s recovery assumptions for the two ore types are summarized Table 6. The silver concentrate grades will fluctuate since they are dependent on the head grades mined in each year, and the average annual grades are shown. Lead and zinc concentrate grades are fixed.

**Table 6. Recovery Assumptions for Payable Metals**

	<b>Lead Concentrate</b>		<b>Zinc Concentrate</b>	
<b>Ore_1 (MAN)</b>	<b>Recovery</b>	<b>Concentrate Grade</b>	<b>Recovery</b>	<b>Concentrate Grade</b>
Lead	87.0%	65.0%	2.0%	
Zinc	12.0%		75.0%	53.0%
Silver	85.0%	9,244g/t	7.5%	1,209 g/t
<b>Ore_2(SOC)</b>	<b>Recovery</b>	<b>Concentrate Grade</b>	<b>Recovery</b>	<b>Concentrate Grade</b>
Lead	78.0%	67.0%	12.0%	
Zinc	2.8%		92.0%	57.0%
Silver	70.0%	3,996g/t	18.0%	310g/t

**Infrastructure**

With the Silver Standard’s Pirquitas operation 30 km away, good infrastructure to support mining is in place and the Project has two all season access routes. Power is available at the nearby village of Santo Domingo; however it is not sufficient for the mining operation and project development would require additional power supplies to be sourced. It is assumed that a new high voltage (69 kV) power line would be constructed from Abra Pampa to the project site, a distance of 66 km. The water consumption for the future operations of the mining project is estimated to be approximately 0.75 M m<sup>3</sup>/year. Water for future operations needs to be sourced from local and regional wells. Site water management facilities will include diversion channels for non-contact water and collection channels for contact water. Water will be conserved and recycled to the maximum extent possible. Chinchillas will produce thickened tailings that will be stored within a lined tailings impoundment that will be constructed and expanded in stages using mine waste rock to distribute expenditures over the life of the mine.

### ***Economic Sensitivity***

A sensitivity analysis was conducted based on several metal price cases, as summarized in Table 7 below. The economic results for the variable metal prices do not incorporate modifications to the production plan tonnages and grades that may be driven by the variable prices. The same production profile is maintained for all price scenarios.

**Table 7. Sensitivity Analysis to Silver Price, 8% Discount Rate**

<b>Silver Price Per Ounce</b>	<b>Pre-tax NPV (millions)</b>	<b>Pre-tax IRR</b>	<b>After-tax NPV (millions)</b>	<b>After-tax IRR</b>	<b>After-tax Payback Period (years)</b>
\$19	\$ 89.0	15.7%	\$ 39.4	12.0%	5.1
\$22	\$177.5	22.4%	\$ 98.5	17.5%	3.8
\$26	\$266.0	28.4%	\$157.4	22.5%	3.1

The analysis indicates that the project demonstrates positive economics at all three silver price scenarios.

### ***Qualified Persons***

The PEA report was coordinated by independent consultant Ken Kuchling, P.Eng., a mining engineer specializing in economic reviews and a Qualified Person (“QP”) as defined in NI 43-101. Contributing Qualified Persons on the report include:

- John Fox, P.Eng. of Laurion Consulting Inc. (metallurgy)
- Ken Embree, P.Eng. of Knight Piésold Ltd (tailings and infrastructure)
- Bruce Davis, Ph.D. F. AusIMM of BD Consulting Inc. (resource estimate)
- Kyle Howie, MAIG (resource estimate)

The Chinchillas deposit remains open to expansion in most directions. In particular, a recent re-interpretation of previously completed geophysics has expanded the targets below the currently defined resources, at depths of 150 to 300 metres. In addition, several areas within the deposit have not been drilled at sufficient spacing to be included in the resource estimate. Management expects that drilling will increase resources in these areas. A US\$2 million Phase III diamond drill program commenced in the first quarter of 2014, with more than half of the drilling planned to expand and upgrade the current resource.

In addition to expansion around the current deposit, management believes that the Chinchillas project has considerable potential for additional resources throughout the property. Since July 2013, the Company has completed surface mapping, sampling and a ground magnetic geophysical survey over portions of the Project area that were recently granted (see news release dated July 24<sup>th</sup>, 2013). An IP-resistivity survey was undertaken in the fourth quarter of 2013 and completed in early 2014 over most of the property to delineate deeper targets. Results from this work were compiled with the recent surface mapping and magnetic survey to define exploration drill targets. The remainder of the Phase III drill program was budgeted for exploration targets throughout the property.

On April 24<sup>th</sup>, 2014, Golden Arrow released the results from the first seven holes, representing 1,381 metres of drilling. The reported holes successfully intersected significant new silver, lead and zinc mineralization that may lead to the expansion of resources. Highlights of the results include:

- 54 m at 290 g/t silver, 1.8% lead and 0.5% zinc at 130m depth in CGA-93,
  - Including 4m @ 882 g/t silver, 3.3% lead and 1.3% zinc
  - And also 5m @ 1172g/t silver, 4.2% lead and 1.4% zinc
- 13 m at 359 g/t silver, 2.4% lead at 199m depth also in CGA-93
- 43 m at 181 g/t silver, 1.3% lead at 106m depth in CGA-94
- 44 m at 102 g/t silver, 0.8% lead and 0.8% zinc at 11m depth in CGA-95
  - Including 13m @ 218 g/t silver, 1.4% lead and 1.1% zinc
- 28 m at 105 g/t silver, 1.2% lead and 0.8% zinc at 157m depth in CGA-98

(For completed details see the original news release filed on SEDAR.) Based on these results, as well as visual estimates from drill holes for which assays had not yet been received, the Company expanded the drill program and budget to include up to 8,000 metres of drilling.

On May 22, 2014 results from 10 additional holes were released. The results indicated that drilling successfully intersected additional new silver, lead and zinc mineralization that will contribute to the expansion of the project's next resource estimate (for completed details see the original news release filed on SEDAR). Highlights of the results include:

- 29 m averaging 107 g/t silver and 0.6% lead at 3 metres depth in CGA-100
  - Including 6 m averaging 315 g/t silver and 0.8% lead
- 19 m averaging 151 g/t silver and 0.9% lead at 107 metres depth also in CGA-100
- 9 metres averaging 201 g/t silver and 0.6% lead at 41 metres depth in CGA-103
- 105 metres averaging 54 g/t silver and 1.6% zinc at 127 metres depth in CGA-107
  - Including 18 metres averaging 179 g/t silver, 1.3% lead and 1.1% zinc
  - And including 18 metres averaging 81 g/t silver and 3.7% zinc
- 71 metres averaging 120 g/t silver and 1.5% lead in CGA-108
  - Including 6 metres averaging 335 g/t silver and 3.8% lead
  - And including 4 metres averaging 446 g/t silver and 3.1% lead

The program was subsequently increased to 9,000 metres of drilling.

The third set of results was released June 23<sup>rd</sup>, 2014 and included results from eight drill holes totaling 1,681 metres. Targets were step-out to the existing resource, as well as new areas on the north slope of the basin that host the resource. Seven of the eight holes encountered mineralization and are expected to contribute to the expansion of resources. Highlights include:

- 43 metres averaging 269 g/t silver and 2.8% lead at 98 metres depth in CGA-121, including 4 metres averaging 1218 g/t silver and 6.4% lead.
- 9 metres averaging 185 g/t silver and 2% lead at 59 metres depth in CGA-122, including 1 metre averaging 761 g/t silver and 6.3% lead.
- 14 metres averaging 187 g/t silver and 1.2% lead at 108 metres depth in CGA-122, including 3 metres at 594 g/t silver and 3% lead.
- 7 metres averaging 147 g/t silver and 3.8% lead at 182 metres depth in CGA-122, including 1 metre @ 577 g/t silver and 15.7% lead.

The final four holes targeting expansion of the resource area were released on July 24<sup>th</sup>, 2014. Highlights include:

- Two holes demonstrate significant expansion of known mineralization approximately 160 metres to the northwest, and the direction remains open:
  - 34 metres averaging 209 g/t silver and 1.2% lead (248g/t silver equivalent) at 118 metres depth in CGA-127, including 5 metres averaging 1,091 g/t silver and 3% lead (1,188 g/t silver equivalent)
  - 22 metres averaging 212 g/t silver and 2.6% lead (296g/t silver equivalent) at 91 metres depth in CGA-129, including 7 metres averaging 515 g/t silver and 5.7% lead (699 g/t silver equivalent)
- One hole demonstrates the potential to expand resources at depth:
  - 31 metres averaging 186 g/t silver, 2.4% lead and 2.2% zinc, (334 g/t silver equivalent) at 165 metres depth in CGA-126

In addition to the resource expansion drilling, on May 29<sup>th</sup>, 2014 and July 22, 2014 Golden Arrow announced the results from eight exploration drill holes located between 300 metres and 1.5 kilometres south of the existing resource zones. These holes were located on the Chinchilla I property which was newly permitted for exploration and drilling last year. All holes returned significant intercepts of silver, lead and zinc, with several mineralized starting from near surface and continuing down the length of the hole, while remaining open at depth. Mineralization occurs in brecciated basement schists, and tuffs. Zinc was particularly prevalent in most holes, with grades as high as 3.2% in individual intercepts.

Seven of these eight holes, covering approximately 0.8 square kilometres in this Chinchillas South area, were used to calculate a target potential of between 100 and 160 million tonnes at grades ranging from 32 to 40 grams per tonne silver equivalent. *(Target potential grades and quantities are conceptual in nature. There has been insufficient exploration to define a mineral resource, nor is it certain that further exploration will result in the target being delineated as a resource.)* Management is pleased with the results from the exploration of these targets, many of which were blind at surface, and believes this southern area shows excellent potential for the delineation of new resources. Additional modeling, surface exploration and drilling is required to fully understand the entire area and will be part of exploration programs at the property while the main Chinchillas deposit is moved through feasibility and beyond. Similar work will be planned for future exploration throughout the rest of property, of which nearly 70% remains underexplored. For full details of the target potential, and results from these holes please refer to the original news releases filed on SEDAR.

The Phase III drill program was completed with a total of 8,985 metres drilled. Golden Arrow is now working to update the resource estimate and PEA for the Chinchillas Project. Management is confident that the updated PEA will outline a compelling scenario to move the existing project forward without requiring further exploration. A positive PEA will then be followed by an infill drilling program to upgrade the resource categories, and the commencement of a feasibility study.

### 3. Mogote Property, San Juan

On June 3, 2009, the Company announced that it had entered into a binding property transfer agreement to acquire from Iron South Mining Corp. four Peruvian property concessions and the remaining 51% interest in the 8,300 hectare Mogote copper-gold-silver property not already held by the Company. This transaction received shareholder approval on July 22, 2009 and regulatory approval on July 29, 2009. The Mogote project now includes approximately 8,800 hectares strategically-located in the Vicuna District of northern San Juan Province which includes NGEx Resources Inc.'s Josemaria copper-gold deposit in Argentina and Goldcorp Inc./New Gold's El Morro gold-copper porphyry in Chile.

On September 9, 2010 the Company announced that it had entered into an option agreement with Vale Exploracion Argentina, S.A. ("VEASA"), a wholly-owned subsidiary of Vale S.A. ("Vale"), on its Mogote project

During the first year program on Mogote Vale completed detailed lithological and alteration mapping on the Zona Colorida and Stockwork Hill zones, rock sampling, petrography and PIMA work as well as 40 lines of geophysics including 32 km of IP, 180 km of ground magnetics, 51 km of radiometrics and 170 km of digital GPS surveying. The geophysical surveys covered the central and a portion of the southern Mogote property.

In 2012, Vale completed a 7 hole, 3,695 m drill program at Mogote. Vale's drilling confirmed the existence of a copper porphyry system below the large and prominent steam leached alteration zone at the Zona Colorida. (see News Release dated June 18, 2012.) On January 14, 2013, the Company announced that Vale commenced a 10-hole, 7,500 m drill program at Mogote. The drill program targeted both porphyry copper-gold and precious metal epithermal mineralized zones identified during the 2011-12 field program, specifically the 3 holes in Filo Este, 3 holes in Filo Central, 2 holes in Zona Colorida and 2 holes in Stockwork hill.

On July 24, 2013, the Company announced that Vale provided notice of its decision to terminate the option agreement on the Mogote project. The Company is currently seeking new joint venture partners for the project.

### 4. Potrerillos Gold-Silver Project, San Juan

The Potrerillos property is located approximately 8 km due east of Barrick Gold's Veladero deposit, covering an area of 3,999 ha and shares many geologic similarities with both Veladero and nearby Pascua-Lama. Previous exploration campaigns were carried out on behalf of Golden Arrow's precursor company during 1999, 2000, and 2001. These resulted in the delineation of three significant target areas: Fabiana, Narelle and Panorama. Most work was focused on Fabiana and a short RC drill program was carried out on the Fabiana Zone in 2001 with no significant results. A data review and field visit to these properties was carried out in late 2008. No work was carried out during 2009.

In 2010, the Company commenced a comprehensive exploration program that continued through Q1 2011, focusing on the Panorama Zone where only limited prior sampling had been carried out. Three main styles of mineralization were defined:

- The Panorama Veins occur within an area approximately 1 km long by 50 m wide. Veta Juliet, one of several recently discovered veins, is 3.7 m wide where exposed, and has been traced on surface for over 100 m; a rock chip sample collected across the main outcrop grades 7.96 g/t Au and 665 g/t Ag over 2 m.
- Las Bandas are a series of very large gold-silver bearing calcite and quartz "bands" or veins that have been traced over a strike length of approximately 1 km. Outcrop exposures range from 12 to 20 m wide and contain significant gold-silver mineralization with select grab samples grading up to 3.07 g/t Au and 441 g/t Ag.
- Copper South is a series of discrete copper-silver occurrences located in a 2.5 km by 1.2 km area. Copper grades from selectively collected samples can be exceptionally high; for example a 1m chip returned 17.4% Cu and 38 g/t Ag. The zones are typically 2 to 10 m wide, by several hundred meters long.

In early 2011, the Company completed 508 m in 3 diamond drill holes of a planned 10 hole 3,000 m program. The program was cut short due to challenging weather and drilling conditions. The drilling targeted the Las Bandas-Panorama Veins target area, which together have a strike length of 2.6 km. The completed holes all stopped short of planned depth and many drill targets remain untested by drilling. Following are the highlights from the 3 holes:

- POT1 2011: The hole was drilled to 277 m total depth targeting Panorama Veins. Anomalous gold and silver values were intersected between 23 m and 40 m within silica veins and silicified breccias in andesite. The mineralized interval included 1 m at 1.14 g/t Au and 3.94 g/t Ag (32 m to 33 m) and 1 m at 1.57 g/t Au and 145.86 g/t Ag (39 m to 40 m).
- POT2 2011: This hole was drilled to 130 m total depth targeting Las Bandas. From 95 m to 103 m the hole cut 8 m averaging 0.25 g/t Au and 31.21 g/t Ag within an interval of drusy quartz-calcite stockwork veinlets hosted by silicified andesite.
- POT3 2011: This hole was drilled to 100.5 m total depth targeting Las Bandas. From 62 m to 65 m the hole cut 3 m averaging 0.01 g/t Au and 131.90 g/t Ag hosted by quartz calcite veinlets at the thrust contact between andesite volcanics and overlying rhyolites.

No work was carried out on the Potrerillos property during 2013. The property remains permitted, in good standing, and the Company is seeking an option or joint venture partner for the project.

##### 5. *Pescado Gold Project, San Juan*

The Company holds 11 mineral claims in the Gualcamayo area of San Juan. These 100% owned claims cover nearly 22,000 ha and form the Pescado Gold Project.

In 2008, the Company negotiated with Barrick Gold Exploration through its subsidiary Barrick Exploraciones Argentina S.A. ("BEASA") to provide a right of way to access water from Golden Arrow's Rio de las Taguas property. In exchange for providing access to water for BEASA's Pascua Lama gold project, Golden Arrow acquired from BEASA 100% of the 1,592 ha Aspero 1 claim which is contiguous to the Pescado Gold Project.

The northern boundary of the Pescado Gold Project is 10 km south of the main gold zone on the Gualcamayo gold mine, in a similar geological and structural setting. It is between 1,500 m and 3,000 m elevation and is accessible for year-round exploration. To date the Pescado Gold Project properties have all had systematic silt sampling, follow-up soil grids and rock sampling surveys carried out, with the exception of Durazno which has had only preliminary silt and rock sampling completed. In total 806 rock samples, 383 stream sediment samples and 479 soil samples have been collected on the project. Highlights from rock chip sampling include: 1 m of 17.59 g/t Au; 1 m of 10.75 g/t Au and 1 m of 6.68 g/t Au (Pescado I and II); 2 m of 1.27 g/t Au; 2 m of 3.46 g/t Au and 2 m of 3.15 g/t Au (Yanso); 2 m of 0.13 g/t Au, 10.2 g/t Ag, >1% Cu, 3,535 ppm Pb and 2,719 ppm Zn (Durazno). A helicopter-borne aeromagnetic survey was conducted on the Pescado Gold Project in 2008. The survey was flown by New Sense Geophysics Limited and comprised 1,870 line kilometres covering the entire 18,000 ha property with 200 m spaced lines.

The Company is now seeking other potential optionors for the property.

##### 6. *Caballos, La Rioja*

On September 8, 2011 Golden Arrow announced it had acquired the approximately 22,900 ha. Caballos Project through staking. The property is located in a prospective porphyry copper and epithermal gold-silver district along the Chilean border in western La Rioja Province.

The Company has completed two initial prospecting and sampling campaigns on Caballos, identifying a new high-grade porphyry copper showing, the Caballos Copper Zone, and the Refugio de Plata Zone, a partially exposed vein/breccia silver target.

Highlights from limited initial sampling include:

- 12 m @ 2.4% Cu from a composite rock chip sample across a diorite porphyry outcrop at the Caballos Copper Zone.
- 1 m @ 303 g/t Ag and 0.11 g/t Au from a chip sample of mineralized breccia at the Refugio de Plata Zone.

On January 30, 2012 Golden Arrow announced it had staked a new license, Ritsuko (3,237 ha), and the Company's total land holdings in the prospective Caballos district now stands at approximately 25,195 ha. The Company completed bulldozer road access in January along with trenching and sampling. Talus fine sampling has defined a 1.4 km anomalous zone with up to 1,667 ppm Cu and up to 150 ppb Au.

During Q1 2012, the Company completed a program of detailed ground magnetic and IP/Resistivity surveys at Caballos to define drill targets. On March 1, 2012, the Company announced that the program had resulted in the discovery of a large copper-gold porphyry target. The magnetic core of the interpreted porphyry system, 300 m by 800 m in dimensions, is largely covered by talus. The IP/Resistivity survey, conducted by Quantec Geoscience, shows a large chargeability high that closely correlates with the interpreted magnetic porphyry core. Talus fine sampling has been completed in the southern half of the porphyry target, defining an 1,100 m by 400 m area with elevated copper geochemistry (+50 ppm Cu envelope with a high of 1667 ppm Cu) and, in an overlapping but slightly reduced area, a gold geochemical anomaly (+20 ppb Au envelope with a high of 149 ppb Au), both centered on the quartz-magnetite stockwork exposure.

The Company is seeking an option or joint venture partner for the property.

#### 7. Don Bosco, La Rioja

On June 1, 2011 the Company announced it had acquired by staking a 100% interest in the 32,800 ha Don Bosco Project in western La Rioja Province, Argentina. The project has since been reduced to a core set of properties of approximately 9,300 ha. The project is located in the Pre-Cordillera region and elevations range from 2,500 m to 3,500 m above sea level. Work can be conducted all year round and a paved highway allows easy access to the southern part of the property.

The Don Bosco Project includes historical copper and gold prospects and high-grade mineralized zones identified by the Company's reconnaissance team. Golden Arrow has completed several prospecting/sampling campaigns on Don Bosco. To date a total of 514 rock chip samples have been collected from three distinct target areas on Don Bosco; San Alberto - El Pircado Cu-Au skarn, Llantenes Copper zone and Las Minitas Silver zone.

Highlights for each zone include:

- San Alberto-El Pircado Zone
  - 2.4m averaging 2.04 g/t Au, 114 ppm Ag and 10.0% copper
- Llantenes Zone
  - 25% Cu, 0.64 g/t Au, 82 g/t Ag (grab sample)
  - 2m grading 3.3% Cu (chip sample)
- Las Minitas Silver Zone
  - 111 g/t Ag over 1m (chip sample)

The skarn-type mineralization identified in the north-central portion of the Don Bosco Project in the San Alberto-El Pircado zones covers an area 1.3 km by 900 m. Skarn mineralization appears to be developed primarily within limestone protoliths bordering a large granite intrusive body to the east. It is exposed along east-west ridge lines and flanks at San Alberto (northern ridge) and El Pircado (southern ridge) which are separated by a deeply incised valley with little exposure. Limestone protolith skarn mineralization is both structurally controlled and disseminated. Classic skarn mineralogy includes magnetite hornfels, massive amphibole zones and disseminated garnet and wollastonite zones.

The Company is seeking an option or joint venture partner for the property.

## **Selected Annual Financial Information**

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto.

	Years Ended December 31,		
	2013 \$	2012 \$	2011 \$
Royalty revenue	Nil	1,944,806 <sup>(1)</sup>	2,238,979
Net (loss) income for the year	(6,743,719) <sup>(4)</sup>	12,693,358 <sup>(2)</sup>	(2,655,934)
(Loss) earnings per share – basic and diluted	(0.16)	0.23	(0.05)
Total Assets	8,009,791 <sup>(5)</sup>	14,763,742 <sup>(3)</sup>	5,872,106

- (1) Decrease in royalty revenue during 2012 compared to 2011 due to the sale of the royalty interest on Yamana Gold Inc.'s Gualcamayo gold mine on November 9, 2012 to Premier Royalty Inc.
- (2) Includes \$16,258,188 in gain on sale of royalty and \$1,944,806 in royalty income partially offset by \$5,542,666 in loss from operating activities (which includes \$3,208,163 in exploration expenditures during 2012).
- (3) The increase is primarily related to an increase in cash, short-term investments and investments of \$9,613,398 partially offset by a decrease in deposit of \$50,000 and other receivables of \$234,532.
- (4) The decrease is primarily related to decreases in gain on sale of royalty of \$16,258,188 and \$1,944,806 in royalty income partially offset by \$6,855,911 in loss from operating activities (which includes \$3,974,791 in exploration expenditures during 2013).
- (5) The decrease is primarily related to decreases in cash and short-term investments of \$6,979,805 partially offset by an increase in mineral property interests of \$365,418.

## **Results of Operations – For the six months ended June 30, 2014 compared to the six months ended June 30, 2013**

### **Loss from operating activities**

During the six months ended June 30, 2014, loss from operating activities increased by \$1,108,238 to \$5,443,167 compared to \$4,334,929 for the six months ended June 30, 2013. The increase in loss from operating activities is largely due to:

- An increase of \$1,302,077 in exploration. Exploration expense was \$3,973,259 for the six months ended June 30, 2014 compared to \$2,671,182 for the six months ended June 30, 2013. The Company undertook its Phase III diamond drill program, completing 8,985m of a planned 9,000m drill program, at its Chinchillas project in Jujuy, Argentina during the six months ended June 30, 2014 compared to the completion of its Phase II drill program consisting of 7,286m drilled at its Chinchillas project in Jujuy, Argentina during the six months ended June 30, 2013.
- An increase of \$278,701 in share-based compensation. Share-based compensation was \$307,959 for the six months ended June 30, 2014 compared to \$29,258 for the six months ended June 30, 2013. The increase is due to 2,605,000 fully vested stock options and the incremental vesting of 300,000 stock options granted during the six months ended June 30, 2014 compared to 200,000 fully vested stock options granted during the six months ended June 30, 2013.

These increases were partially offset by:

- A decrease of \$224,781 in salaries and employee benefits plus administration and management services. Salaries and employee benefits plus administration and management services were \$521,110 for the six months ended June 30, 2014 compared to \$745,891 for the six months ended June 30, 2013. The decrease is due to fewer executives and related compensation and no one-time performance bonus or severance payments made for the six months ended June 30, 2014 compared to the hiring of a new Chief Executive Officer, higher staff levels and related compensation, and a one-time performance bonus of \$50,000 and severance of \$110,378 paid to the former Chief Financial Officer during the six months ended June 30, 2013.

- A decrease of \$49,686 in professional fees. Professional fees were \$85,070 for the six months ended June 30, 2014 compared to \$134,756 for the six months ended June 30, 2013. The decrease is primarily due to decreased corporate and employment related activity resulting in a lesser amount of legal services required and lower accounting fees relating to the audit of the Company's year-end annual financial statements during the six months ended June 30, 2014 compared to a greater amount of legal and accounting services required due to increased corporate and employment related activity during the six months ended June 30, 2013.
- A decrease of \$132,440 in corporate development and investor relations. Corporate development and investor relations was \$225,854 for the six months ended June 30, 2014 compared to \$358,294 for the six months ended June 30, 2013. The Company undertook a lesser number of activities relating to promotion of the Company's project during the six months ended June 30, 2014 compared to a greater number of activities relating to promotion of the Company's projects, with primary emphasis on its completed drill program and resource estimate on the Chinchillas property, during the six months ended June 30, 2013.
- A decrease of \$82,941 in travel and accommodation. Travel and accommodation was \$74,139 for the six months ended June 30, 2014 compared to \$157,080 for the six months ended June 30, 2013. Less travel was required due to decreased business development activity during the six months ended June 30, 2014 compared to a greater amount of travel required due to increased business development activity during the six months ended June 30, 2013.

#### **Other items**

During the six months ended June 30, 2014, other items increased by \$382,397 to \$446,954 compared to \$64,557 for the six months ended June 30, 2013. The increase in other items is largely due to:

- An increase of \$478,410 in foreign exchange gain. Foreign exchange gain was \$473,323 for the six months ended June 30, 2014 compared to a foreign exchange loss of \$5,087 for the six months ended June 30, 2013. The increase is due to the fluctuation of the Argentinean Peso and US dollar against the Canadian dollar during the period.

The net loss for the six months ended June 30, 2014 was \$4,996,213 or \$0.12 per basic and diluted share compared to \$4,270,372 or \$0.10 per basic and diluted share for the six months ended June 30, 2013.

#### **Cash Flow**

##### **Operating Activities**

Cash outflow from operating activities was \$3,657,568 for the six months ended June 30, 2014 compared to \$4,368,402 for the six months ended June 30, 2013. The decrease in cash outflow results primarily from lower corporate and administrative cash costs, and changes in non-cash working capital balances due to timing of receipt and payment of cash compared to the prior period.

##### **Investing Activities**

Cash inflow from investing activities was \$348,391 for the six months ended June 30, 2014 compared to \$4,482,057 for the six months ended June 30, 2013. Mineral property expenditures were \$47,831 during the six months ended June 30, 2014 compared to \$48,862 during the six months ended June 30, 2013. The Company purchased marketable securities of \$1,813,295 and disposed marketable securities of \$2,209,517 during the six months ended June 30, 2014 compared to no similar transactions during the six months ended June 30, 2013. The Company redeemed short-term investments of \$Nil and purchased short-term investments of \$Nil during the six months ended June 30, 2014 compared to redemptions of short-term investments of \$13,050,000 and purchases of short-term investments of \$8,500,000 during the six months ended June 30, 2013. Property and equipment expenditures were \$Nil during the six months ended June 30, 2014 compared to \$30,000 during the six months ended June 30, 2013.

## **Financing Activities**

Cash outflow from financing activities was \$174,143 for the six months ended June 30, 2014 compared to \$Nil for the six months ended June 30, 2013. Repurchases of common shares were \$172,234 and share repurchase costs were \$1,909 relating to the Company's share repurchase program for the six months ended June 30, 2014 compared to no similar share repurchases for the six months ended June 30, 2013.

## **Results of Operations – For the three months ended June 30, 2014 compared to the three months ended June 30, 2013**

### **Loss from operating activities**

During the three months ended June 30, 2014, loss from operating activities increased by \$1,430,222 to \$3,196,050 compared to \$1,765,828 for the three months ended June 30, 2013. The increase in loss from operating activities is largely due to:

- An increase of \$1,597,726 in exploration. Exploration expense was \$2,556,806 for the three months ended June 30, 2014 compared to \$959,080 for the three months ended June 30, 2013. The Company completed its Phase III diamond drill program consisting of 7,030m drilled of a planned 9,000m drill program at its Chinchillas project in Jujuy, Argentina during the three months ended June 30, 2014 compared to the completion of metallurgical testing, geological modeling and an independent NI 43-101 Technical Report for its Chinchillas project in Jujuy, Argentina during the three months ended June 30, 2013.

This increase was partially offset by:

- A decrease of \$119,645 in corporate development and investor relations. Corporate development and investor relations was \$99,782 for the three months ended June 30, 2014 compared to \$219,427 for the three months ended June 30, 2013. The Company undertook a lesser number of activities relating to promotion of the Company's project during the three months ended June 30, 2014 compared to a greater number of activities relating to promotion of the Company's projects, with primary emphasis on its Chinchillas property, during the three months ended June 30, 2013.
- A decrease of \$36,300 in travel and accommodation. Travel and accommodation was \$52,944 for the three months ended June 30, 2014 compared to \$89,244 for the three months ended June 30, 2013. Less travel was required due to decreased business development activity during the three months ended June 30, 2014 compared to a greater amount of travel required due to increased business development activity during the three months ended June 30, 2013.

### **Other items**

During the three months ended June 30, 2014, other items increased by \$192,776 to \$197,238 compared to \$4,462 for the three months ended June 30, 2013. The increase in other items is largely due to:

- An increase of \$232,556 in foreign exchange gain. Foreign exchange gain was \$211,601 for the three months ended June 30, 2014 compared to a foreign exchange loss of \$20,955 for the three months ended June 30, 2013. The increase is due to the fluctuation of the Argentinean Peso and US dollar against the Canadian dollar during the period.

The net loss for the three months ended June 30, 2014 was \$2,998,812 or \$0.07 per basic and diluted share compared to \$1,761,366 or \$0.03 per basic and diluted share for the three months ended June 30, 2013.

## **Cash Flow**

### **Operating Activities**

Cash outflow from operating activities was \$2,043,970 for the three months ended June 30, 2014 compared to \$2,403,154 for the three months ended June 30, 2013. The decrease in cash outflow results primarily from lower corporate and administrative cash costs, and changes in non-cash working capital balances due to timing of receipt and payment of cash compared to the prior period.

## Investing Activities

Cash inflow from investing activities was \$144,106 for the three months ended June 30, 2014 compared to \$2,480,942 for the three months ended June 30, 2013. Mineral property expenditures were \$21,368 during the three months ended June 30, 2014 compared to \$19,058 during the three months ended June 30, 2013. The Company purchased marketable securities of \$929,922 and disposed marketable securities of \$1,095,396 during the three months ended June 30, 2014 compared to no similar transactions during the three months ended June 30, 2013. The Company redeemed short-term investments of \$Nil during the three months ended June 30, 2014 compared to redemptions of short-term investments of \$2,500,000 during the three months ended June 30, 2013.

## Financing Activities

Cash outflow from financing activities was \$17,768 for the three months ended June 30, 2014 compared to \$Nil for the three months ended June 30, 2013. Repurchases of common shares were \$17,579 and share repurchase costs were \$189 relating to the Company's share repurchase program for the three months ended June 30, 2014 compared to no similar share repurchases for the three months ended June 30, 2013.

## Balance Sheet

At June 30, 2014, the Company had total assets of \$4,587,870 compared with \$8,009,791 in total assets at December 31, 2013. The decrease primarily results from a decrease in cash and cash equivalents of \$3,483,320 due to exploration expenditures and on-going corporate and administrative cash costs.

## Selected Quarterly Financial Information

	2014		2013				2012	
	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	201,473 <sup>(1)</sup>	597,187
Net (Loss) Income	(2,998,812) <sup>(8)</sup>	(1,997,401) <sup>(7)</sup>	(1,400,430) <sup>(6)</sup>	(1,072,917) <sup>(5)</sup>	(1,761,366) <sup>(4)</sup>	(2,509,006) <sup>(3)</sup>	14,695,031 <sup>(2)</sup>	(499,874)
Net (Loss) Income per Common Share Basic and Diluted	(0.07)	(0.05)	(0.03)	(0.03)	(0.04)	(0.06)	0.28	(0.01)

- (1) Decrease resulting from the sale of the Company's 1% NSR from Yamana's Gualcamayo gold mine to Premier Royalty.
- (2) Increase driven by gain on sale of royalty of \$16,258,188 offset by increases in exploration of \$334,382, foreign exchange loss of \$154,077, and a decrease in royalty income of \$395,714.
- (3) Decrease primarily driven by a decrease in gain on sale of royalty of \$16,258,188 and increase in exploration expenditures of \$793,626.
- (4) Decrease primarily driven by a decrease in exploration expenditures of \$753,022, and salaries and employee benefits and management services of \$132,813 partially offset by an increase in corporate development and investor relations of \$80,560 and foreign exchange loss of \$36,823.
- (5) Decrease primarily driven by a decrease in exploration expenditures of \$410,064, salaries and employee benefits and management services of \$69,535 and corporate development and investor relations of \$120,836.
- (6) Increase primarily driven by an increase in exploration expenditures of \$205,577, professional fees of \$74,637 and corporate development and investor relations of \$17,958.
- (7) Increase primarily driven by an increase in exploration expenditures of \$686,761, foreign exchange gain of \$280,942 and share-based compensation of \$264,903 partially offset by a decrease in professional fees of \$68,985.
- (8) Increase primarily driven by an increase in exploration expenditures of \$1,140,353.

## Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$20,274,413 at June 30, 2014 (December 31, 2013 - \$15,278,200) and shareholders' equity of \$2,726,816 at June 30, 2014 (December 31, 2013 - \$7,578,819). In addition, the Company had working capital of \$1,079,140 at June 30, 2014 (December 31, 2013 - \$5,949,501).

As the Company is an exploration stage company, revenues have been limited to interest earned on cash held with the Company's financial institutions. For the six months ended June 30, 2014, the Company recorded interest income of \$17,170 compared to \$58,725 for the six months ended June 30, 2013.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

### **Commitments**

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Management Services Agreement	495,000	-	-	-	-

#### *Management Services Agreement*

On April 1, 2010, the Company entered into an 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 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 \$1.3 million over the next two years, as shown below:

Option Payment USD \$	Date
400,000	July 20, 2014
900,000	July 20, 2015
1,300,000	

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

See subsequent events for further information.

### **Capital Stock**

At June 30, 2014, the Company had unlimited authorized common shares without par value. As at June 30, 2014, an aggregate of 40,823,655 common shares were issued and outstanding. As at August 25, 2014, 40,823,655 common shares were issued and outstanding.

#### *Common Share Repurchases*

On November 19, 2013, the TSX Venture Exchange (the "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.

During 2014, the Company acquired 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).

The Company has no warrants outstanding as at August 25, 2014.

The following summarizes information about the Company's share options outstanding and exercisable as at August 25, 2014:

Number of Shares		Exercise Price (CAD\$)	Expiry Date
Outstanding	Exercisable		
100,000	100,000	\$0.36	March 31, 2015
150,000	150,000	\$0.36	April 22, 2015
835,000	835,000	\$0.35	October 1, 2015
75,000	75,000	\$0.38	October 29, 2015
820,000	820,000	\$0.40	November 4, 2015
150,000	150,000	\$0.32	November 25, 2015
50,000	50,000	\$0.30	June 24, 2017
200,000	200,000	\$0.32	November 25, 2017
200,000	200,000	\$0.31	November 29, 2017
200,000	200,000	\$0.35	May 28, 2018
2,505,000	2,392,500	\$0.35	March 25, 2019
380,000	267,500	\$0.35	April 16, 2019
20,000	20,000	\$0.35	April 30, 2019
5,685,000	5,460,000		

#### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

#### **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, 2012 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.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<b>Transactions</b>	\$	\$	\$	\$
Services rendered:				
Grosso Group Management Ltd.				
Administration and management services	101,400	57,000	164,400	137,100
Rent, parking and storage	51,600	54,000	106,200	105,000
Office & sundry	25,500	19,500	64,200	51,000
<b>Total for services rendered</b>	<b>178,500</b>	<b>130,500</b>	<b>334,800</b>	<b>293,100</b>

*Mr. Joseph Grosso*

Mr. Joseph Grosso, a director and officer of the Company, received share-based benefits of \$55,298 for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$Nil).

Oxbow International Marketing Corp. (“Oxbow”) is a private company controlled by Mr. Joseph Grosso. For the three months ended June 30, 2014, Oxbow was paid \$31,250 (three months ended June 30, 2013 - \$31,250). For the six months ended June 30, 2014, Oxbow was paid \$62,500 (six months ended June 30, 2013 - \$62,500). 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 six months ended June 30, 2014 (six months ended June 30, 2013 - \$Nil).

Cacos Consulting Ltd. (“Cacos Consulting”) is a private company controlled by Mr. Nikolaos Cacos. For the three months ended June 30, 2014, Cacos Consulting was paid \$30,000 (three months ended June 30, 2013 - \$30,000) for management consulting services. For the six months ended June 30, 2014, Cacos Consulting was paid \$60,000 (six months ended June 30, 2013 - \$60,000) 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.

*Dr. David Terry*

Dr. David Terry, a director and former officer to the Company, was paid directors and audit committee chair fees of \$4,000 for the three months ended June 30, 2014 (three months ended June 30, 2013 - \$3,000). Dr. David Terry was paid directors and audit committee chair fees of \$8,000 for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$6,000) and received share-based benefits of \$11,060 for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$Nil).

Vinland Holdings Ltd. (“Vinland”) is a private company controlled by Dr. David Terry. For the three months ended June 30, 2014, Vinland was paid \$1,125 (three months ended June 30, 2013 - \$4,950) for geological services. For the six months ended June 30, 2014, Vinland was paid \$5,625 (six months ended June 30, 2013 - \$4,950) for geological services. Amounts paid to Vinland are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

At June 30, 2014, the Company had \$2,453 (June 30, 2013 - \$6,950) 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 \$3,000 for the three months ended June 30, 2014 (three months ended June 30, 2013 - \$Nil). Mr. Louis Salley was paid directors fees of \$6,000 for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$Nil) and received share-based benefits of \$16,589 for the six months ended June 30, 2014 (six months ended June 30, 2103 - \$Nil). Amounts paid to Mr. Louis Salley are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

*Mr. John Gammon*

Mr. John Gammon, a director of the Company, was paid directors fees of \$3,000 for the three months ended June 30, 2014 (three months ended June 30, 2013 - \$3,000). For the six months ended, Mr. John Gammon was paid directors fees of \$6,000 (six months ended June 30, 2013 - \$6,000) and received share-based benefits of \$8,295 for the six months ended June 30, 2014 (six months ended June 30, 2103 - \$Nil).

## Key management personnel compensation

Compensation	Three months ended June 30, 2014				Three months ended June 30, 2013			
	Salaries \$	Share-based		Total \$	Salaries \$	Share-based		Total \$
		benefits \$	Other \$			benefits \$	Other \$	
Chief Executive Officer	31,250	-	-	31,250	52,083	-	62,500 <sup>(1)</sup>	114,583
Chief Financial Officer	14,000	9,717	-	23,717	12,000	14,629	-	26,629
Total	45,250	9,717	-	54,967	64,083	14,629	62,500	141,212

Compensation	Six months ended June 30, 2014				Six months ended June 30, 2013			
	Salaries \$	Share-based		Total \$	Salaries \$	Share-based		Total \$
		benefits \$	Other \$			benefits \$	Other \$	
Chief Executive Officer	62,500	55,298	-	117,798	93,750	-	62,500 <sup>(1)</sup>	156,250
Chief Financial Officer	26,000	9,717	-	35,717	27,495	14,629	160,378 <sup>(2)</sup>	205,502
Total	88,500	65,015	-	153,515	121,245	14,629	222,878	358,752

(1) Includes a severance payment of \$62,500 to the former Chief Executive Officer during the three and six months ended June 30, 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 six months ended June 30, 2013.

## Subsequent Events

### Amended Option Agreement

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.

Under the terms of the Option Agreement, as amended, the Company may acquire a 100% interest in the Chinchillas project by making the remaining cash payments to the vendor totaling \$1.366 million over the next two years, as shown below:

Option Payment USD \$	Date
150,000	July 21, 2014
6,000	August 21, 2014
6,000	September 21, 2014
6,000	October 21, 2014
6,000	November 21, 2014
6,000	December 21, 2014
6,000	January 21, 2015
6,000	February 21, 2015
6,000	March 21, 2015
6,000	April 21, 2015
6,000	May 21, 2015
6,000	June 21, 2015
250,000	July 6, 2015
900,000	July 21, 2015
1,366,000	

On July 21, 2014, the Company paid USD \$150,000 in accordance with its amended option agreement on the Chinchillas Silver Project located in Jujuy, Argentina.

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.

#### *Exercise of Put Right Option*

On July 18, 2014, in connection with the Company's sale of its 1% NSR on Yamana Gold Inc.'s Gualcamayo Gold mine to Premier Royalty Inc., the Company exercised its put right with Sandstorm Gold Inc. to acquire all warrants outstanding for cancellation for a total of \$1,250,000.

#### *Issuance of Shares for Services*

On August 15, 2014, pursuant to the terms of a shares for services agreement (the "Agreement"), the Company has 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 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.

#### **Critical Accounting Estimates and Recent Accounting Pronouncements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's condensed consolidated interim financial statements for the six months ended June 30, 2014. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

#### ***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.

#### ***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.

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

## ***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.

## ***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 condensed consolidated interim financial statements. These standards are:

### *IAS 36 Financial Instruments: Presentation*

### *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 Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. 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 May 2011, the IASB issued IFRS 9, Financial Instruments. The new Standard limits the number of categories for classification of financial assets to two: amortized cost and fair value through profit or loss. IFRS 9 also replaces models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The required adoption date for IFRS 9 has been deferred and is not expected until January 1, 2017, with early adoption permitted. IFRS 9 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

## **Financial Instruments**

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, share purchase warrants, 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 June 30, 2014 the Company's financial instruments measured at fair value are as follows:

	Carrying amount June 30, 2014	Level 1	Level 2	Level 3
		\$	\$	\$
		Fair value June 30, 2014		
<b>Recurring measurements</b>				
Financial Assets				
Warrant derivative assets	1,250,000	-	-	1,250,000
Marketable securities	17,324	17,324	-	-

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).

## (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, short-term investments, share purchase warrants 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 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.

## ***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 earnings by \$61,775.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net earnings by \$48,950.

### ***(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.

### ***(c) 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.

## **Risk Factors and Uncertainties**

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. A number of the risks and uncertainties are discussed below:

*History of losses:* The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2013 and 2012. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

*Joint ventures and other partnerships:* The Company may seek joint venture partners to provide funding for further work on any or all of its other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements, and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

*Unexpected delays:* The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

*Potential conflicts of interest:* Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they may have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

*Competition with larger, better capitalized competitors:* The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

*The Company does not intend to pay dividends:* The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell common shares in the secondary market.

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

*Price risk:* The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly gold. The prices of these metals, especially gold, greatly affect the value of the Company and the potential value of its property and investments.

*Financial Markets:* The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

*Political risk:* Exploration is presently carried out in the Argentina and Chile and is currently being reviewed worldwide. This exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's potential projects and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

*Credit risk:* Credit risk is the risk of an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on cash, short-term investments, share purchase warrants and amounts receivable. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

*Liquidity risk:* Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is invested in bank accounts.

*Interest risk:* The Company's bank accounts do not earn interest income. Cash bears no interest and short-term investments mature one year from the date of purchase and are redeemable at any time without penalty, with interest paid after thirty days. The fair value of cash and short-term investments approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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

*Community risk:* The Company has negotiated with the local communities on its mineral property concessions for access to facilitate the completion of geological studies and exploration work programs. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such certain groups or individuals within the community.

*Environmental risk:* The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

### **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at June 30, 2014.

### **Additional Information**

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company provides information packages to investors. These packages include materials filed with regulatory authorities. Additionally the Company attends investment/trade conferences and updates its website ([www.goldenarrowresources.com](http://www.goldenarrowresources.com)) on a continuous basis.