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# **Golden Arrow Resources Corporation**

*(An Exploration Stage Company)*

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED  
JUNE 30, 2016 AND 2015

*(Unaudited - Expressed in Canadian Dollars)*

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

|                                          |      | June 30,<br>2016<br>\$ | December 31,<br>2015<br>\$ |
|------------------------------------------|------|------------------------|----------------------------|
|                                          | Note |                        |                            |
| <b>ASSETS</b>                            |      |                        |                            |
| <b>Current assets</b>                    |      |                        |                            |
| Cash and cash equivalents                |      | 4,051,876              | 1,012,725                  |
| Investments                              | 4    | 5,005                  | 453,803                    |
| Amounts receivable                       |      | 56,077                 | 179,918                    |
| Exploration funding receivable           | 3a   | 1,153,050              | 2,423,834                  |
| Prepaid expenses                         |      | 302,959                | 67,350                     |
| <b>Total current assets</b>              |      | <b>5,568,967</b>       | <b>4,137,630</b>           |
| <b>Non-current assets</b>                |      |                        |                            |
| Property and equipment                   |      | -                      | 7,184                      |
| Mineral property interests               | 3    | 1,791,863              | 1,737,090                  |
| <b>Total non-current assets</b>          |      | <b>1,791,863</b>       | <b>1,744,274</b>           |
| <b>Total Assets</b>                      |      | <b>7,360,830</b>       | <b>5,881,904</b>           |
| <b>LIABILITIES</b>                       |      |                        |                            |
| <b>Current liabilities</b>               |      |                        |                            |
| Accounts payable and accrued liabilities | 7    | 1,732,376              | 2,842,125                  |
| Loan payable                             | 5    | -                      | 171,040                    |
| Related party loans payable              | 7    | -                      | 697,000                    |
| Interest payable                         | 7    | -                      | 31,962                     |
| <b>Total current liabilities</b>         |      | <b>1,732,376</b>       | <b>3,742,127</b>           |
| <b>EQUITY</b>                            |      |                        |                            |
| Share capital                            | 6    | 21,712,875             | 16,362,415                 |
| Commitment to issue shares               | 10   | 1,879,471              | 2,929,471                  |
| Reserves                                 | 6    | 16,679,661             | 15,500,228                 |
| Deficit                                  |      | (34,643,553)           | (32,652,337)               |
| <b>Total equity</b>                      |      | <b>5,628,454</b>       | <b>2,139,777</b>           |
| <b>Total Equity and Liabilities</b>      |      | <b>7,360,830</b>       | <b>5,881,904</b>           |

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

### COMMITMENTS (Note 10)

### SUBSEQUENT EVENTS (Note 13)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 29, 2016. They are signed on the Company's behalf by:

"Joseph Grosso" , Director

"David Terry" , Director

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

|                                                                    |      | Three months ended<br>June 30, |            | Six months ended<br>June 30, |            |
|--------------------------------------------------------------------|------|--------------------------------|------------|------------------------------|------------|
|                                                                    | Note | 2016<br>\$                     | 2015<br>\$ | 2016<br>\$                   | 2015<br>\$ |
| <b>Expenses</b>                                                    |      |                                |            |                              |            |
| Administration and management services                             | 7    | 190,000                        | 200,050    | 380,600                      | 376,550    |
| Corporate development and investor relations                       |      | 509,870                        | 137,107    | 616,295                      | 327,930    |
| Exploration                                                        | 3    | 2,949,120                      | 811,894    | 6,104,825                    | 3,233,148  |
| Exploration and other costs recovery                               |      | (2,626,704)                    | -          | (4,983,129)                  | -          |
| Office and sundry                                                  | 7    | 42,315                         | 62,997     | 117,686                      | 132,783    |
| Professional fees                                                  | 7    | 94,474                         | 184,660    | 131,454                      | 406,207    |
| Rent, parking and storage                                          | 7    | 23,685                         | 70,582     | 49,990                       | 141,696    |
| Salaries and employee benefits                                     | 7    | 129,727                        | 145,308    | 255,666                      | 271,616    |
| Share-based compensation                                           | 7    | 537,899                        | 433,729    | 539,435                      | 436,842    |
| Transfer agent and regulatory fees                                 |      | 27,039                         | 22,986     | 40,653                       | 49,786     |
| Travel and accommodation                                           |      | 11,086                         | 20,761     | 31,376                       | 47,292     |
| <b>Loss from operating activities</b>                              |      | 1,888,511                      | 2,090,074  | 3,284,851                    | 5,423,850  |
| Foreign exchange gain                                              |      | (1,045,685)                    | (45,764)   | (1,321,112)                  | (240,375)  |
| Interest income                                                    |      | (484)                          | (8,810)    | (748)                        | (9,659)    |
| Interest expense                                                   |      | 13,726                         | -          | 28,595                       | -          |
| Loss on sale of marketable securities                              | 5    | -                              | 79,503     | -                            | 83,661     |
| Unrealized (gain) loss on marketable securities                    | 5    | (370)                          | 37,555     | (370)                        | 58,133     |
| <b>Loss for the period</b>                                         |      | 855,698                        | 2,152,558  | 1,991,216                    | 5,315,610  |
| <b>Other comprehensive loss</b>                                    |      |                                |            |                              |            |
| Items that may be reclassified to profit or loss                   |      |                                |            |                              |            |
| Unrealized loss (gain) on available-for-sale marketable securities |      | 10,009                         | 770        | 11,164                       | 2,695      |
| <b>Other comprehensive loss for the period</b>                     |      | 10,009                         | 770        | 11,164                       | 2,695      |
| <b>Comprehensive loss for the period</b>                           |      | 865,707                        | 2,153,328  | 2,002,380                    | 5,318,305  |
| <b>Basic and diluted loss per common share (\$)</b>                | 8    | 0.01                           | 0.04       | 0.03                         | 0.10       |

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

|                                                                         | Six months ended June 30, |             |
|-------------------------------------------------------------------------|---------------------------|-------------|
|                                                                         | 2016                      | 2015        |
|                                                                         | \$                        | \$          |
| <b>Cash flows from operating activities</b>                             |                           |             |
| Loss for the period                                                     | (1,991,216)               | (5,315,610) |
| Adjustments for:                                                        |                           |             |
| Depreciation of property and equipment included in exploration expenses | 12,931                    | 15,355      |
| Drilling services received for common shares                            | -                         | 76,355      |
| Drilling services received for common shares to be issued               | -                         | 1,760,732   |
| Foreign exchange gain on sale of marketable securities                  | -                         | (216,369)   |
| (Gain) loss on sale of marketable securities                            | (21,648)                  | 83,661      |
| Realized loss on marketable securities                                  | -                         | 58,133      |
| Share-based compensation                                                | 539,435                   | 436,842     |
|                                                                         | (1,460,498)               | (3,100,901) |
| Change in non-cash working capital items:                               |                           |             |
| Decrease (increase) in amounts receivable                               | 123,841                   | (19,036)    |
| Decrease in exploration funding receivable                              | 1,270,784                 | -           |
| (Increase) decrease in prepaid expenses                                 | (235,609)                 | 26,359      |
| (Decrease) in interest payable                                          | (31,962)                  | -           |
| (Decrease) increase in accounts payable and accrued liabilities         | (1,109,749)               | 64,478      |
| Net cash used in operating activities                                   | (1,443,193)               | (3,029,100) |
| <b>Cash flows from investing activities</b>                             |                           |             |
| Mineral property interests                                              | (54,773)                  | (415,919)   |
| Purchase of marketable securities, net of transaction costs             | (889,773)                 | (601,554)   |
| Disposal of marketable securities, net of transaction costs             | 1,559,633                 | 1,883,262   |
| Net cash generated by (used in) investing activities                    | 615,087                   | 865,789     |
| <b>Cash flows from financing activities</b>                             |                           |             |
| Issuance of common shares and warrants                                  | 2,425,700                 | 567,800     |
| Share issue costs                                                       | (219,894)                 | (2,480)     |
| Warrants exercised                                                      | 1,953,250                 | -           |
| Agent warrants exercised                                                | 35,300                    | -           |
| Stock options exercised                                                 | 584,250                   | -           |
| Subscription receipts                                                   | -                         | 663,033     |
| Loan (repaid) received                                                  | (911,349)                 | 200,000     |
| Net cash (used in) generated by financing activities                    | 3,867,257                 | 1,428,353   |
| <b>Net (decrease) in cash and cash equivalents</b>                      | 3,039,151                 | (734,958)   |
| Cash and cash equivalents at beginning of period                        | 1,012,725                 | 1,252,471   |
| <b>Cash and cash equivalents at end of period</b>                       | 4,051,876                 | 517,513     |

## SUPPLEMENTARY CASH FLOW INFORMATION (Note 11)

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Consolidated Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

|                                           | Share capital    |            |                                         | Reserves               |                                        |             |                                                  |              | Total       |
|-------------------------------------------|------------------|------------|-----------------------------------------|------------------------|----------------------------------------|-------------|--------------------------------------------------|--------------|-------------|
|                                           | Number of shares | Amount \$  | Commitment to issue shares (Note 10) \$ | Contributed surplus \$ | Equity settled share-based payments \$ | Warrants \$ | Accumulated other comprehensive income (loss) \$ | Deficit \$   |             |
| Balance at December 31, 2014              | 46,239,789       | 9,953,493  | 1,750,444                               | 13,618,141             | 965,407                                | 317,936     | (8,084)                                          | (23,810,048) | 2,787,289   |
| Private placement                         | 7,566,770        | 2,680,554  | (643,648)                               | -                      | -                                      | 174,669     | -                                                | -            | 2,211,575   |
| Share issue costs                         | -                | (3,884)    | -                                       | -                      | -                                      | -           | -                                                | -            | (3,884)     |
| Agent warrants granted                    | -                | -          | -                                       | -                      | -                                      | 1,404       | -                                                | -            | 1,404       |
| Share-based compensation                  | -                | -          | -                                       | -                      | 436,842                                | -           | -                                                | -            | 436,842     |
| Stock options expired                     | -                | -          | -                                       | 38,173                 | (38,173)                               | -           | -                                                | -            | -           |
| Shares issued for drilling services       | 420,168          | 1,136,747  | (1,136,747)                             | -                      | -                                      | -           | -                                                | -            | -           |
| Commitment to issue shares                | -                | -          | 2,500,120                               | -                      | -                                      | -           | -                                                | -            | 2,500,120   |
| Total comprehensive (loss) for the period | -                | -          | -                                       | -                      | -                                      | -           | (2,695)                                          | (5,315,610)  | (5,318,305) |
| Balance at June 30, 2015                  | 54,226,727       | 13,766,910 | 2,470,169                               | 13,656,314             | 1,364,076                              | 494,009     | (10,779)                                         | (29,125,658) | 2,615,041   |
| Private placement                         | 897,056          | 890,533    | (890,533)                               | -                      | -                                      | -           | -                                                | -            | -           |
| Warrants exercised                        | 110,000          | 34,264     | -                                       | -                      | -                                      | (6,764)     | -                                                | -            | 27,500      |
| Share-based compensation                  | -                | -          | -                                       | -                      | 4,527                                  | -           | -                                                | -            | 4,527       |
| Stock options expired                     | -                | -          | -                                       | 496,811                | (496,811)                              | -           | -                                                | -            | -           |
| Shares issued for drilling services       | 602,984          | 1,670,708  | (1,670,708)                             | -                      | -                                      | -           | -                                                | -            | -           |
| Commitment to issue shares                | -                | -          | 3,020,543                               | -                      | -                                      | -           | -                                                | -            | 3,020,543   |
| Total comprehensive (loss) for the period | -                | -          | -                                       | -                      | -                                      | -           | (1,155)                                          | (3,526,679)  | (3,527,834) |
| Balance at December 31, 2015              | 55,836,767       | 16,362,415 | 2,929,471                               | 14,153,125             | 871,792                                | 487,245     | (11,934)                                         | (32,652,337) | 2,139,777   |
| Private placements                        | 11,468,000       | 2,339,914  | (1,050,000)                             | -                      | -                                      | 1,135,786   | -                                                | -            | 2,425,700   |
| Share issue costs                         | 201,264          | (278,323)  | -                                       | -                      | 58,429                                 | -           | -                                                | -            | (219,894)   |
| Agent warrants granted                    | -                | -          | -                                       | -                      | -                                      | 161,082     | -                                                | -            | 161,082     |
| Warrants exercised                        | 7,809,000        | 2,425,424  | -                                       | -                      | -                                      | (472,174)   | -                                                | -            | 1,953,250   |
| Agent warrants exercised                  | 141,200          | 49,872     | -                                       | -                      | -                                      | (14,572)    | -                                                | -            | 35,300      |
| Agent warrants expired                    | -                | -          | -                                       | 498                    | -                                      | (498)       | -                                                | -            | -           |
| Stock options exercised                   | 1,695,000        | 813,573    | -                                       | -                      | (229,323)                              | -           | -                                                | -            | 584,250     |
| Share-based compensation                  | -                | -          | -                                       | -                      | 539,435                                | -           | -                                                | -            | 539,435     |
| Total comprehensive (loss) for the period | -                | -          | -                                       | -                      | -                                      | -           | 770                                              | (1,991,216)  | (1,990,446) |
| Balance at June 30, 2016                  | 77,151,231       | 21,712,875 | 1,879,471                               | 14,153,623             | 1,240,333                              | 1,296,869   | (11,164)                                         | (34,643,553) | 5,628,454   |

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

# **Golden Arrow Resources Corporation**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

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

Golden Arrow Resources Corporation (the “Company” or “Golden Arrow”) was incorporated on July 7, 2004, as a result of a corporate restructuring plan completed by Kobex Minerals Inc. (formerly IMA Exploration Inc.). The address of the Company’s registered office is Suite 411 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6. The Company is listed on the TSX Venture Exchange.

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

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

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

The Company has experienced recurring operating losses and has an accumulated deficit of \$34,643,553 at June 30, 2016. In addition, the Company has a working capital of \$3,836,591 at June 30, 2016 and negative cash flow from operating activities of \$1,443,193 for the six months ended June 30, 2016. Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These matters create material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and commitments (Note 10) and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These condensed consolidated interim financial statements do not include adjustments to the amounts and classifications of assets and liabilities and reported expenses that might be necessary should the Company be unable to continue as a going concern, which could be material.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### *Statement of compliance*

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 ‘Interim Financial Reporting’.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These interim condensed consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and included in Part 1 of the Handbook of the Chartered Professional Accountants of Canada. The policies applied in these interim condensed financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented unless otherwise noted.

#### *Basis of presentation*

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

#### *Basis of consolidation*

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

|                             | Place of Incorporation | Principal Activity  |
|-----------------------------|------------------------|---------------------|
| IMPSA Resources Corporation | BC, Canada             | Holding company     |
| 1049708 B.C. Ltd.           | BC, Canada             | Holding company     |
| Valle Del Cura S.A.         | Argentina              | Exploration company |
| Desarrollo de Recursos S.A. | Argentina              | Exploration company |
| Golden Arrow Chile Ltda.    | Chile                  | Exploration company |

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

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

#### *Significant Accounting Estimates and Judgments*

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



# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at year end that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

#### *Critical accounting estimates*

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

#### *Critical accounting judgments*

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

# **Golden Arrow Resources Corporation**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *New Accounting Standards and Interpretations*

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

#### **IFRS 9 – Financial Instruments**

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

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

#### **IFRS 16 – Leases**

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. MINERAL PROPERTY INTERESTS

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at June 30, 2016:

#### Acquisition Costs

|                                                    | Argentina |          |             |         |         |           |
|----------------------------------------------------|-----------|----------|-------------|---------|---------|-----------|
|                                                    | La Rioja  | Caballos | Chinchillas | Pescado | Other   | Total     |
|                                                    | \$        | \$       | \$          | \$      | \$      | \$        |
| Balance – December 31, 2015                        | 14,853    | 2,431    | 1,586,005   | 33,076  | 100,725 | 1,737,090 |
| Additions                                          |           |          |             |         |         |           |
| Staking costs, land payments and acquisition costs | -         | -        | 54,773      | -       | -       | 54,773    |
| Balance – June 30, 2016                            | 14,853    | 2,431    | 1,640,778   | 33,076  | 100,725 | 1,791,863 |

#### Exploration Expenditures

|                                                     | Argentina |             |          |         |         | Chile  |            |
|-----------------------------------------------------|-----------|-------------|----------|---------|---------|--------|------------|
|                                                     | La Rioja  | Chinchillas | Caballos | Pescado | Other   | Mogote | Total      |
|                                                     | \$        | \$          | \$       | \$      | \$      | \$     | \$         |
| Cumulative exploration expenses – December 31, 2015 | 1,606,998 | 21,801,184  | 317,952  | 844,344 | 842,637 | 48,322 | 25,461,437 |
| Expenditures during the period                      |           |             |          |         |         |        |            |
| Assays                                              | -         | 425,965     | -        | -       | -       | -      | 425,965    |
| Drilling                                            | -         | 3,138,617   | -        | -       | -       | -      | 3,138,617  |
| Office                                              | -         | 388,614     | -        | -       | -       | -      | 388,614    |
| Property maintenance payments                       | -         | 11,436      | -        | -       | -       | -      | 11,436     |
| Resource model and project development              | -         | 96,346      | -        | -       | -       | -      | 96,346     |
| Salaries and contractors                            | -         | 854,102     | -        | -       | -       | -      | 854,102    |
| Social and community                                | -         | 52,747      | -        | -       | -       | -      | 52,747     |
| Supplies and equipment                              | -         | 389,649     | -        | -       | -       | -      | 389,649    |
| Transportation                                      | -         | 68,171      | -        | -       | -       | -      | 68,171     |
| Value added taxes                                   | -         | 679,177     | -        | -       | -       | -      | 679,177    |
|                                                     | -         | 6,104,825   | -        | -       | -       | -      | 6,104,825  |
| Cumulative exploration expenses – June 30, 2016     | 1,606,998 | 27,906,009  | 317,952  | 844,344 | 842,637 | 48,322 | 31,856,271 |

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. MINERAL PROPERTY INTERESTS (continued)

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company was continuing to explore as at June 30, 2015:

#### Acquisition Costs

|                                                       | Argentina                   |                |                |                   |               |             | Total<br>\$ |
|-------------------------------------------------------|-----------------------------|----------------|----------------|-------------------|---------------|-------------|-------------|
|                                                       | Fronterra<br>District<br>\$ | La Rioja<br>\$ | Caballos<br>\$ | Chinchillas<br>\$ | Pescado<br>\$ | Other<br>\$ |             |
| Balance – December 31, 2014                           | 656,124                     | 14,853         | 2,431          | 934,886           | 33,076        | 100,725     | 1,742,095   |
| Additions                                             |                             |                |                |                   |               |             |             |
| Staking costs, land payments<br>and acquisition costs | -                           | -              | -              | 415,919           | -             | -           | 415,919     |
| Balance – June 30, 2015                               | 656,124                     | 14,853         | 2,431          | 1,350,805         | 33,076        | 100,725     | 2,158,014   |

#### Exploration Expenditures

|                                                        | Argentina                   |                |                   |                |               |             | Chile        | Total<br>\$ |
|--------------------------------------------------------|-----------------------------|----------------|-------------------|----------------|---------------|-------------|--------------|-------------|
|                                                        | Fronterra<br>District<br>\$ | La Rioja<br>\$ | Chinchillas<br>\$ | Caballos<br>\$ | Pescado<br>\$ | Other<br>\$ | Mogote<br>\$ |             |
| Cumulative exploration expenses –<br>December 31, 2014 | 4,329,321                   | 1,606,601      | 12,885,856        | 317,578        | 844,344       | 833,736     | 42,183       | 20,859,619  |
| Expenditures during the period                         |                             |                |                   |                |               |             |              |             |
| Assays                                                 | -                           | -              | 219,505           | -              | -             | -           | -            | 219,505     |
| Drilling                                               | -                           | -              | 1,837,087         | -              | -             | -           | -            | 1,837,087   |
| Office                                                 | -                           | -              | 158,788           | -              | -             | -           | -            | 158,788     |
| Preliminary economic assessment                        | -                           | -              | 12,310            | -              | -             | -           | -            | 12,310      |
| Property maintenance payments                          | -                           | -              | 21,576            | 235            | -             | -           | 6,139        | 27,950      |
| Salaries and contractors                               | -                           | -              | 755,869           | -              | -             | -           | -            | 755,869     |
| Supplies and equipment                                 | -                           | -              | 108,927           | -              | -             | 3,491       | -            | 112,418     |
| Transportation                                         | -                           | -              | 42,508            | -              | -             | -           | -            | 42,508      |
| Value added taxes                                      | -                           | -              | 66,644            | 4              | -             | 65          | -            | 66,714      |
|                                                        | -                           | -              | 3,223,214         | 239            | -             | 3,556       | 6,139        | 3,233,148   |
| Cumulative exploration expenses –<br>June 30, 2015     | 4,329,321                   | 1,606,601      | 16,109,070        | 317,817        | 844,344       | 837,292     | 48,322       | 24,092,767  |

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### 3. MINERAL PROPERTY INTERESTS (continued)

#### (a) Chinchillas, Jujuy, Argentina

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

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

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

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

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

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

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

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

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

# Golden Arrow Resources Corporation

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### 3. MINERAL PROPERTY INTERESTS (continued)

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

For the six months ended June 30, 2016, the Company received a milestone payment valued at \$517,058. For fiscal 2015, the Company had received \$973,273 for completing certain milestones during the Preliminary Period in relation to pre-development activities at the Chinchillas project.

For the six months ended June 30, 2016, the Company recorded \$4,983,129 in cost recoveries (2015 - \$Nil).

For the six months ended June 30, 2016, the Company received the following in exploration funding for the Chinchillas project:

|                                                      | Amount (\$) |
|------------------------------------------------------|-------------|
| Exploration and other costs recovery                 | 4,983,129   |
| Less: Exploration funding received                   | (3,830,079) |
| Exploration funding receivable for expenses incurred | 1,153,050   |

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

The Company did not receive exploration funding for the six months ended June 30, 2015.

(b) Varitas, La Rioja, Argentina

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

(c) Mogote and Purulla Properties, Argentina

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

(d) Caballos, La Rioja, Argentina

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

(e) Pescado, San Juan, Argentina

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

## Golden Arrow Resources Corporation

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#### 4. INVESTMENTS

At June 30, 2016, the Company held the following:

|                                                      | Quantity | Fair Value     |
|------------------------------------------------------|----------|----------------|
| Iron South Mining Corp. common shares ("Iron South") | 76,996   | \$5,005        |
|                                                      |          | <u>\$5,005</u> |

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

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

The Company has designated its marketable securities in Iron South Mining Corp. as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive loss in the period in which they occur. An unrealized loss of \$11,164 was recorded for the six months ended June 30, 2016 (six months ended June 30, 2015 – \$2,695).

#### 5. LOAN PAYABLE

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

During the six months ended June 30, 2016, the Company repaid the principal balance of its loan payable, together with all accrued and unpaid interest totalling \$178,000.

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

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

#### 6. CAPITAL AND RESERVES

##### *Authorized Share Capital*

The Company's authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 6. CAPITAL AND RESERVES (continued)

#### *Details of Issues of Common Shares in 2016*

On May 19, 2016 the Company completed a non-brokered private placement financing of 8,550,000 units at a price of \$0.27 per unit for gross proceeds of \$2,308,500. Each unit consists of one common share and one transferable warrant. 7,750,000 warrants entitle the holders thereof to purchase one additional common share in the capital of the Company at a price of \$0.30 per share for two years from the date of issue. 800,000 warrants entitle the holders thereof to purchase one additional common share in the capital of the Company at a price of \$0.33 per share for two years from the date of issue. Finders' fees were \$46,421 in cash, 162,264 common shares at a price of \$0.27 per share, and 334,196 warrants exercisable into common shares at a price of \$0.30 per share for two years.

On February 17, 2016, the Company completed a non-brokered private placement financing of 2,918,000 units at a price of \$0.40 per unit for gross proceeds of \$1,167,200. Each unit consists of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.30 per share for one year from the date of issue of the warrant. Finders' fees were \$10,500 in cash and 39,000 in common shares at a price of \$0.25 per share. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 0.48%; expected stock price volatility – 93.86%; dividend yield of 0%; and expected warrant life of 1.00 years.

#### *Details of Issues of Common Shares in 2015*

On January 16, 2015, the Company completed the second tranche of a non-brokered private placement consisting of 2,739,000 units at a price of \$0.20 per unit for gross proceeds of \$547,800. Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.25 per share for two years from the date of issue of the warrant. The Company is entitled to accelerate the expiry date of the warrants if the 15-day volume weighted average stock price of the Company trades \$0.35 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> date. Finders' fees were \$2,480 in cash and 12,400 in warrants exercisable into common shares at \$0.25 per share for two years having a fair value of \$1,404. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 0.89%; expected stock price volatility – 95.86%; dividend yield of 0%; and expected warrant life of 1.44 years.

On January 27, 2015, the Company completed a non-brokered private placement consisting of 442,056 common shares at a price of US\$1.214777 (CDN\$1.456033) per share for gross proceeds of US\$537,000 (CDN\$643,648).

On February 17, 2015, pursuant to the terms of a shares for services agreement (the "Agreement"), the Company obtained TSX Venture Exchange approval to issue 420,168 common shares of the Company as payment for completion for certain drilling services. See Note 10 for further information.



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### 6. CAPITAL AND RESERVES (continued)

On February 23, 2015, the Company completed a private placement consisting of 100,000 units at a price of \$0.20 per unit for gross proceeds of \$20,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.26 per share for two years from the date of issue of the warrant. The Company is entitled to accelerate the expiry date of the warrants if the 15-day volume weighted average stock price of the Company trades \$0.35 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 0.38%; expected stock price volatility – 97.03%; dividend yield of 0%; and expected warrant life of 1.45 years.

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

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

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

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

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

#### *Share Purchase Option Compensation Plan*

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

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

# Golden Arrow Resources Corporation

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For the six months ended June 30, 2016 and 2015

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### 6. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the six months ended June 30, 2016 is as follows:

| Expiry date                                         | Exercise Price | December 31, 2015 | Granted   | Exercised   | Expired/ Forfeited | June 30, 2016 | Options exercisable |
|-----------------------------------------------------|----------------|-------------------|-----------|-------------|--------------------|---------------|---------------------|
| June 24, 2017                                       | \$0.30         | 50,000            | -         | -           | -                  | 50,000        | 50,000              |
| November 25, 2017                                   | \$0.32         | 200,000           | -         | (200,000)   | -                  | -             | -                   |
| November 29, 2017                                   | \$0.31         | 200,000           | -         | (100,000)   | -                  | 100,000       | 100,000             |
| May 28, 2018                                        | \$0.35         | 200,000           | -         | -           | -                  | 200,000       | 200,000             |
| March 25, 2019                                      | \$0.35         | 2,505,000         | -         | (1,395,000) | -                  | 1,110,000     | 1,110,000           |
| April 16, 2019                                      | \$0.35         | 380,000           | -         | -           | -                  | 380,000       | 380,000             |
| April 30, 2019                                      | \$0.35         | 20,000            | -         | -           | -                  | 20,000        | 20,000              |
| June 11, 2020                                       | \$0.35         | 2,595,000         | -         | -           | -                  | 2,595,000     | 2,595,000           |
| April 19, 2021                                      | \$0.32         | -                 | 1,550,000 | -           | -                  | 1,550,000     | 1,175,000           |
| April 24, 2021                                      | \$0.42         | -                 | 660,000   | -           | -                  | 660,000       | 660,000             |
| May 1, 2018                                         | \$0.45         | -                 | 30,000    | -           | -                  | 30,000        | 7,500               |
| May 18, 2018                                        | \$0.62         | -                 | 150,000   | -           | -                  | 150,000       | 75,000              |
| May 29, 2021                                        | \$0.68         | -                 | 15,000    | -           | -                  | 15,000        | 15,000              |
|                                                     |                | 6,150,000         | 2,405,000 | 1,695,000   | -                  | 6,860,000     | 6,387,500           |
| Weighted average exercise price \$                  |                | 0.35              | 0.37      | 0.34        | -                  | 0.36          | 0.35                |
| Weighted average contractual remaining life (years) |                | 3.62              | 4.59      | -           | -                  | 3.79          | 3.76                |

The continuity of share purchase options for the six months ended June 30, 2015 is as follows:

| Expiry date                                         | Exercise Price | December 31, 2014 | Granted   | Exercised | Expired/ Forfeited | June 30, 2015 | Options exercisable |
|-----------------------------------------------------|----------------|-------------------|-----------|-----------|--------------------|---------------|---------------------|
| March 31, 2015                                      | \$0.36         | 100,000           | -         | -         | (100,000)          | -             | -                   |
| April 22, 2015                                      | \$0.36         | 150,000           | -         | -         | (150,000)          | -             | -                   |
| October 1, 2015                                     | \$0.35         | 835,000           | -         | -         | -                  | 835,000       | 835,000             |
| October 29, 2015                                    | \$0.38         | 75,000            | -         | -         | -                  | 75,000        | 75,000              |
| November 4, 2015                                    | \$0.40         | 820,000           | -         | -         | -                  | 820,000       | 820,000             |
| November 25, 2015                                   | \$0.32         | 150,000           | -         | -         | -                  | 150,000       | 150,000             |
| June 24, 2017                                       | \$0.30         | 50,000            | -         | -         | -                  | 50,000        | 50,000              |
| November 25, 2017                                   | \$0.32         | 200,000           | -         | -         | -                  | 200,000       | 200,000             |
| November 29, 2017                                   | \$0.31         | 200,000           | -         | -         | -                  | 200,000       | 200,000             |
| May 28, 2018                                        | \$0.35         | 200,000           | -         | -         | -                  | 200,000       | 200,000             |
| March 25, 2019                                      | \$0.35         | 2,505,000         | -         | -         | -                  | 2,505,000     | 2,505,000           |
| April 16, 2019                                      | \$0.35         | 380,000           | -         | -         | -                  | 380,000       | 380,000             |
| April 30, 2019                                      | \$0.35         | 20,000            | -         | -         | -                  | 20,000        | 20,000              |
| June 11, 2020                                       | \$0.35         | -                 | 2,595,000 | -         | -                  | 2,595,000     | 2,538,750           |
|                                                     |                | 5,685,000         | 2,595,000 | -         | (250,000)          | 8,030,000     | 7,973,750           |
| Weighted average exercise price \$                  |                | 0.36              | 0.35      | -         | 0.36               | 0.35          | 0.35                |
| Weighted average contractual remaining life (years) |                | 2.77              | 4.95      | -         | -                  | 3.23          | 3.22                |

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### 6. CAPITAL AND RESERVES (continued)

#### Warrants

The continuity of warrants for the six months ended June 30, 2016 is as follows:

| Expiry date                        | Exercise Price | December 31, 2015 | Issued     | Exercised   | Expired/ Forfeited | June 30, 2016 |
|------------------------------------|----------------|-------------------|------------|-------------|--------------------|---------------|
| December 18, 2016                  | \$0.25         | 5,213,200         | -          | (5,213,000) | -                  | -             |
| January 15, 2017                   | \$0.25         | 2,641,400         | -          | (2,637,000) | (4,400)            | -             |
| February 17, 2017                  | \$0.30         | -                 | 2,918,000  | -           | -                  | 2,918,000     |
| February 22, 2017                  | \$0.26         | 100,000           | -          | (100,000)   | -                  | -             |
| May 19, 2018                       | \$0.30         | -                 | 8,084,196  | -           | -                  | 8,084,196     |
| May 19, 2018                       | \$0.33         | -                 | 800,000    | -           | -                  | 800,000       |
|                                    |                | 7,954,600         | 11,802,196 | (7,950,200) | (4,400)            | 11,802,196    |
| Weighted average exercise price \$ |                | 0.25              | \$0.30     | \$0.25      | 0.25               | 0.26          |

The continuity of warrants for the six months ended June 30, 2015 is as follows:

| Expiry date                        | Exercise Price | December 31, 2014 | Granted   | Exercised | Expired/ Forfeited | June 30, 2015 |
|------------------------------------|----------------|-------------------|-----------|-----------|--------------------|---------------|
| December 18, 2016                  | \$0.25         | 5,213,200         | -         | -         | -                  | 5,213,200     |
| January 15, 2017                   | \$0.25         | -                 | 2,751,400 | -         | -                  | 2,751,400     |
| February 22, 2017                  | \$0.26         | -                 | 100,000   | -         | -                  | 100,000       |
|                                    |                | 5,213,200         | 2,851,400 | -         | -                  | 8,064,600     |
| Weighted average exercise price \$ |                | 0.25              | 0.25      | -         | -                  | 0.25          |

### 7. RELATED PARTY BALANCES AND TRANSACTIONS

On April 1, 2010, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group to provide services and facilities to the Company. Grosso Group is a private company that is owned by an officer and director of the Company and also has another common director with the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expired on December 31, 2014 and was automatically renewed for a period of two years pursuant to the terms of the Agreement.

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.

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

| Transactions                           | Six months ended June 30, |         |
|----------------------------------------|---------------------------|---------|
|                                        | 2016                      | 2015    |
|                                        | \$                        | \$      |
| Services rendered:                     |                           |         |
| Grosso Group Management Ltd.           |                           |         |
| Administration and management services | 312,000                   | 300,000 |
| Rent, parking and storage              | 18,000                    | 135,000 |
| Office & sundry                        | 108,000                   | 78,000  |
| Total for services rendered            | 438,000                   | 513,000 |

At June 30, 2016, the Company had \$Nil (December 31, 2015 - \$1,006) included in accounts payable and accrued liabilities to Grosso Group.

#### *Mr. Joseph Grosso*

Mr. Joseph Grosso, a director and officer of the Company, and his spouse, received share-based benefits of \$73,107 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$144,723).

Oxbow International Marketing Corp. ("Oxbow") is a private company controlled by Mr. Joseph Grosso. For the six months ended June 30, 2016, Oxbow was paid \$62,500 (six months ended June 30, 2015 - \$62,500) for management consulting services. Amounts paid to Oxbow are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

At June 30, 2016, the Company had \$Nil (December 31, 2015 - \$48,686) included in accounts payable and accrued liabilities to Oxbow.

#### *Related Party Loans Payable*

During the six months ended June 30, 2016, all related party loans were repaid. At June 30, 2016, the Company did not have any related party loans payable.

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

|                                     | December 31, 2016 |                 |           |
|-------------------------------------|-------------------|-----------------|-----------|
|                                     | Maturity          | Currency        | Amount    |
| Unsecured, non-interest bearing     | On demand         | Canadian dollar | \$200,000 |
| Unsecured, 12% annual interest rate | On demand         | Canadian dollar | \$300,000 |
| Unsecured, 12% annual interest rate | On demand         | Canadian dollar | \$50,000  |
| Unsecured, 12% annual interest rate | On demand         | Canadian dollar | \$147,000 |
|                                     |                   |                 | \$697,000 |

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

# Golden Arrow Resources Corporation

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

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

At June 30, 2016, the Company had \$Nil (December 31, 2015 - \$25,002) included in interest payable to a related party.

#### *Mr. Nikolaos Cacos*

Mr. Nikolaos Cacos, a director of the Company, received share-based benefits of \$41,776 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$68,105).

Cacos Consulting Ltd. ("Cacos Consulting") is a private company controlled by Mr. Nikolaos Cacos. For the six months ended June 30, 2016, Cacos Consulting was paid \$60,000 (six months ended June 30, 2015 - \$97,500) for management consulting services. Amounts paid to Cacos Consulting are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

#### *Dr. David Terry*

Dr. David Terry, a director and former officer to the Company, was paid director and audit committee chair fees of \$8,000 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$8,000) and received share-based benefits of \$37,598 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$34,053).

Vinland Holdings Ltd. ("Vinland") is a private company controlled by Dr. David Terry. For the six months ended June 30, 2016, Vinland was paid \$600 (six months ended June 30, 2015 - \$8,550) 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, 2016, the Company had \$Nil (December 31, 2015 - \$2,518) included in accounts payable and accrued liabilities to Vinland.

#### *Mr. Louis Salley*

Mr. Louis Salley, a director of the Company, was paid director fees of \$6,000 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$6,000) and received share-based benefits of \$5,222 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$34,053). Amounts paid to Mr. Louis Salley are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

At June 30, 2016, the Company had \$Nil (December 31, 2015 - \$4,000) included in accounts payable and accrued liabilities to Mr. Louis Salley.

Salley Bowes Harwardt Law Corp. ("Salley Bowes Harwardt") is a private company of which Mr. Louis Salley is an owner. For the six months ended June 30, 2016, Salley Bowes Harwardt was paid \$2,490 (six months ended June 30, 2015 - \$18,696) for legal services. Amounts paid to Salley Bowes Harwardt are classified as professional fees in the consolidated statements of loss and comprehensive loss.

At June 30, 2016, the Company had \$Nil (December 31, 2015 - \$14,674) included in accounts payable and accrued liabilities to Salley Bowes Harwardt.

# Golden Arrow Resources Corporation

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

Mr. John Gammon

Mr. John Gammon, a director of the Company, was paid director and corporate governance committee chair fees of \$6,000 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$6,000) and received share-based benefits of \$41,776 for the six months ended June 30, 2016 (six months ended June 30, 2015 - \$17,026).

At June 30, 2016, the Company had \$Nil (December 31, 2015 - \$8,000) included in accounts payable and accrued liabilities to Mr. John Gammon.

#### Key management personnel compensation

|                             | Six months ended June 30, 2016 |                      |         | Six months ended June 30, 2015 |                      |         |
|-----------------------------|--------------------------------|----------------------|---------|--------------------------------|----------------------|---------|
|                             | Salaries                       | Share-based benefits | Total   | Salaries                       | Share-based benefits | Total   |
| Compensation <sup>(1)</sup> | \$                             | \$                   | \$      | \$                             | \$                   | \$      |
| Chief Executive Officer     | 62,500                         | 73,107               | 135,607 | 62,500                         | 119,184              | 181,684 |
| Chief Financial Officer     | 30,000                         | 19,385               | 49,385  | 30,000                         | 8,513                | 38,513  |
| Total                       | 92,500                         | 92,492               | 184,992 | 92,500                         | 127,697              | 220,197 |

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

### 8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended June 30, 2016 and 2015 was based on the following:

|                                                      | Three months ended |            | Six months ended |            |
|------------------------------------------------------|--------------------|------------|------------------|------------|
|                                                      | June 30,           |            | June 30,         |            |
|                                                      | 2016               | 2015       | 2016             | 2015       |
| Loss attributable to common shareholders (\$)        | 855,698            | 2,152,558  | 1,991,216        | 5,315,610  |
| Weighted average number of common shares outstanding | 68,682,620         | 51,212,598 | 62,959,710       | 50,151,444 |

Diluted loss per share did not include the effect of 6,860,000 (2015 – 8,030,000) share purchase options and 11,802,196 (2015 – 8,064,600) common share purchase warrants as they are anti-dilutive.

# Golden Arrow Resources Corporation

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## Notes to the Condensed Consolidated Interim Financial Statements

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### 9. SEGMENTED INFORMATION

The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the six months ended June 30, 2016.

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

|                                 | Argentina     |                   |
|---------------------------------|---------------|-------------------|
|                                 | June 30, 2016 | December 31, 2015 |
| Mineral property interests (\$) | 1,791,863     | 1,737,090         |
| Property and equipment (\$)     | -             | 7,184             |
|                                 | 1,791,863     | 1,744,274         |

### 10. COMMITMENTS

#### Management Services Agreement

|                               | 1 Year  | 2 Years | 3 Years | 4-5 Years | More than 5 Years |
|-------------------------------|---------|---------|---------|-----------|-------------------|
|                               | \$      | \$      | \$      | \$        | \$                |
| Management Services Agreement | 354,000 | -       | -       | -         | -                 |

Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is \$59,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

#### Commitment to Issue Shares

|                   | 1 Year    | 2 Years | 3 Years | 4-5 Years | More than 5 Years |
|-------------------|-----------|---------|---------|-----------|-------------------|
|                   | \$        | \$      | \$      | \$        | \$                |
| Drilling Services | 1,879,471 | -       | -       | -         | -                 |

#### Drilling Services

Under the terms of a shares for services agreement (the "Agreement") signed March 10, 2014 and as amended on November 1, 2014, up to 16,000 meters of drilling shall be paid for by issuing up to a total of 2,378,404 common shares of the Company subject to TSX Venture Exchange approval.

For the six months ended June 30, 2016, the Company issued Nil (six months ended June 30, 2015 – 420,168) common shares in respect of drilling services received prior to December 31, 2015 and had recognized \$1,879,471 (six months ended June 30, 2015 - \$1,656,348) for 3,680 meters drilled up to December 31, 2015 (6,539 meters drilled up to June 30, 2015) to be paid for by issuing common shares of the Company subject to TSX Venture Exchange approval in accordance with the terms of the Agreement.

At June 30, 2016, the Company has cumulatively issued 1,260,503 common shares and has recognized \$4,536,137 for a total of 14,680 meters of drilling services received since the commencement of the Agreement.

# Golden Arrow Resources Corporation

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars Unless Otherwise Noted)

### Argentina Value Added Taxes

As at June 30, 2016, the Company has approximately \$430,754 (US\$331,120) (December 31, 2015 - \$146,249 (US\$105,671)) in non-recovered value added taxes incurred during the Preliminary Period which, pursuant to the terms of an initial exploration program agreement with, among others, Silver Standard (see Note 3a for further information), will become payable to Silver Standard in cash or common shares of the Company if the election to not proceed with the Arrangement is made. These costs currently form part of the exploration expenditures of the Company.

### Office Lease

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

## 11. SUPPLEMENTARY CASH FLOW INFORMATION

|                                                      | Six months ended June 30, |           |
|------------------------------------------------------|---------------------------|-----------|
|                                                      | 2016                      | 2015      |
|                                                      | \$                        | \$        |
| Non-cash investing and financing activities          |                           |           |
| Marketable securities received for option payment    | 517,058                   | -         |
| Marketable securities received for private placement | -                         | 1,643,775 |
| Commitment to issue shares for drilling services     | -                         | 1,760,732 |
| Shares issued for drilling services                  | -                         | 76,355    |
| Shares issued for finder's fees                      | 58,429                    | -         |
| Agent warrants granted                               | 161,082                   | 1,404     |

## 12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

### (a) Fair Values

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

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.



# Golden Arrow Resources Corporation

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2016 and 2015

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

At June 30, 2016 the Company's financial instruments measured at fair value are as follows:

|                               |                 | Level 1                     | Level 2 | Level 3 |
|-------------------------------|-----------------|-----------------------------|---------|---------|
|                               | Carrying amount | \$                          | \$      | \$      |
|                               | June 30, 2016   | Fair value<br>June 30, 2016 |         |         |
| <b>Recurring measurements</b> |                 |                             |         |         |
| Financial Assets              |                 |                             |         |         |
| Investments                   | 5,005           | 5,005                       | -       | -       |

At December 31, 2015 the Company's financial instruments measured at fair value are as follows:

|                               |                                      | Level 1                         | Level 2 | Level 3 |
|-------------------------------|--------------------------------------|---------------------------------|---------|---------|
|                               |                                      | \$                              | \$      | \$      |
|                               | Carrying amount<br>December 31, 2015 | Fair value<br>December 31, 2015 |         |         |
| <b>Recurring measurements</b> |                                      |                                 |         |         |
| Financial Assets              |                                      |                                 |         |         |
| Investments                   | 453,803                              | 453,803                         | -       | -       |

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

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

# Golden Arrow Resources Corporation

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

### ***Liquidity risk***

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

The Company has \$1,732,376 in accounts payable and accrued liabilities that are due within one year of the date of the statement of financial position.

### ***Market risk***

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

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, amounts receivable, exploration funding receivable, accounts payable, loan payable and interest payable. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar and between the Canadian dollar and the Argentine Peso at June 30, 2016 is summarized as follows:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by \$118,869.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$250,869.

#### **(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 or have prescribed interest rates.

# **Golden Arrow Resources Corporation**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

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## **13. SUBSEQUENT EVENTS**

### *Antofalla Silver and Base Metals Project, Catamarca, Argentina*

On July 11, 2016, the Company announced that it entered into an option agreement to acquire a 100% interest in the Antofalla project, a silver and base metals project located in Catamarca Province, Argentina. The terms of the option agreement include staged payments over five years totaling \$1,560,000 for a 100% interest in the property. The vendor would retain a 1% net smelter royalty.

### *Private Placement*

On July 29, 2016, the Company closed a private placement of 9,020,000 units. The Company issued 9,020,000 common shares of the Company at a price of \$0.75 per share for gross proceeds of \$6,765,000. Each unit consists of one common share of the Company at \$0.75 per share and one-half share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional share in the capital of the Company at a price of \$1.00 per share for 18 months from the date of issue. The warrants exercise period may be accelerated if the volume weighted average price for the shares is \$1.40 or greater for 10 consecutive trading days, following expiration of the 4 month hold period.

The Company paid a cash finder's fee of \$435,881 and issued 314,461 finder's warrant exercisable at \$1.00 per finder's warrant and 46,480 finder's shares at a deemed price of \$1.00 per finder's share. Securities issued pursuant to this private placement will be subject to a four-month hold period under applicable Canadian securities laws expiring November 30, 2016.

### *Stock Options Exercised*

Subsequent to June 30, 2016, 1,889,000 stock options were exercised at a weighted average price of \$0.35 per stock option for gross proceeds of \$656,800 and 1,889,000 common shares of the Company were issued.