Golden Arrow Resources Corporation

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

(Expressed in Canadian Dollars)

April 23, 2013

Independent Auditor's Report
To the Shareholders of Golden Arrow Resources Corporation

We have audited the accompanying consolidated financial statements of Golden Arrow Resources Corporation which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of (income) loss and comprehensive (income) loss, cash flows and changes in equity for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Golden Arrow Resources Corporation as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP
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Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2012 $	December 31, 2011 $
ASSETS			
Non-current assets			
Property and equipment	3	103,589	94,154
Mineral property interests	4	1,182,812	1,006,023
Deposit		-	50,000
Other receivable		-	234,532
Total non-current assets		1,286,401	1,384,709
Current assets			
Prepaid expenses		73,024	102,734
Investments	5	1,261,550	45,043
Amounts receivable		88,277	43,795
Interest receivable		22,293	28,956
Royalty income receivable	6	-	631,563
Short-term investments	7	11,550,000	3,265,650
Cash		482,197	369,656
Total current assets		13,477,341	4,487,397
Total Assets		14,763,742	5,872,106
EQUITY			
Share capital	8	8,651,208	12,703,282
Reserves	8	14,229,769	14,158,485
Deficit		(8,534,481)	(21,227,839)
Total equity		14,346,496	5,633,928
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		417,246	238,178
Total current liabilities		417,246	238,178
Total Equity and Liabilities		14,763,742	5,872,106

COMMITMENTS (Note 14)

SUBSEQUENT EVENTS (Note 16)

These consolidated financial statements are authorized for issue by the Board of Directors on April 23, 2013. They are signed on the Company's behalf by:

"Joseph Grosso" , Director

"David Horton" , Director

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of (Income) loss and Comprehensive (Income) loss

(Expressed in Canadian Dollars)

		Year ended December 31,	
		2012	2011
	Note	$	$
Expenses			
Administration and management services	9	425,326	522,100
Corporate development and investor relations		272,476	273,039
Depreciation		28,337	32,841
Exploration		3,208,163	3,166,390
Foreign exchange loss		267,536	217,602
Office and sundry	9	134,259	118,879
Professional fees		333,617	137,115
Rent, parking and storage	9	124,066	89,444
Salaries and employee benefits	9	534,078	223,599
Share-based compensation		104,777	9,730
Transfer agent and regulatory fees		19,442	14,032
Travel and accommodation		90,589	136,611
Loss from operating activities		5,542,666	4,941,382
Gain on sale of royalty	11	(16,258,188)	-
Income from option agreement		(114,419)	-
Interest income		(47,084)	(47,260)
Loss on disposal of securities		-	791
Royalty income	6	(1,944,806)	(2,238,979)
Write-off of mineral property interests	4	128,473	-
(Income) loss for the year		(12,693,358)	2,655,934
Other comprehensive loss			
Unrealized loss on available-for-sale marketable securities		33,493	18,243
Other comprehensive loss for the year		33,493	18,243
Comprehensive (income) loss for the year		(12,659,865)	2,674,177
Basic and diluted (earnings) loss per common share ($)	10	(0.23)	0.05

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31,	
	2012	2011
	$	$
Cash flows from operating activities		
Income (Loss) for the year	12,693,358	(2,655,934)
Adjustments for:		
Depreciation of property and equipment included in exploration expenses	13,439	7,822
Depreciation	28,337	32,841
Gain on sale of royalty	(16,258,188)	-
Income from option agreement	(114,419)	-
Loss on disposal of securities	-	791
Share-based compensation	104,777	9,730
Write-off of mineral property interests	128,473	-
	(3,404,223)	(2,604,750)
Change in long term deposit	50,000	-
(Increase) decrease in other receivable	234,532	(101,711)
Change in non-cash working capital items:		
(Increase) decrease in royalty income receivable	631,563	(171,202)
(Increase) decrease in amounts receivable	(44,482)	12,489
(Increase) decrease in interest receivable	6,663	(28,956)
(Increase) decrease in prepaid expenses	29,710	(59,464)
Increase (decrease) in accounts payable and accrued liabilities	179,068	(17,270)
Net cash used in operating activities	(2,317,169)	(2,970,864)
Cash flows from investing activities		
Mineral property interests	(399,365)	(55,457)
Option payment proceeds	208,522	109,922
Expenditures on property and equipment	(51,211)	(77,181)
Proceeds from sale of royalty less transaction costs paid	16,145,000	-
Cash paid to Premier Royalty Corp.	(1,136,812)	-
Disposal of marketable securities	-	490,903
Purchase of short-term investments	(18,399,318)	(5,011,732)
Redemption of short-term investments	10,114,968	3,508,915
Net cash used in investing activities	6,481,784	(1,034,630)
Cash flows from financing activities		
Repurchases of common shares	(4,032,000)	-
Share repurchase costs	(20,074)	-
Exercise of warrants	-	2,556,450
Exercise of options	-	59,500
Net cash generated by financing activities	(4,052,074)	2,615,950
Net increase (decrease) in cash	112,541	(1,389,544)
Cash at beginning of year	369,656	1,759,200
Cash at end of year	482,197	369,656

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital		Reserves					
	Number of shares	Amount $	Contributed surplus $	Equity settled share-based payments $	Warrants $	Accumulated other comprehensive income $	Deficit $	Total $
Balance at December 31, 2010	46,224,655	9,602,338	13,078,838	1,071,487	454,550	47,117	(18,571,905)	5,682,425
Stock options exercised	170,000	90,024	-	(30,524)	-	-	-	59,500
Stock options expired	-	-	18,202	(18,202)	-	-	-	-
Share-based compensation	-	-	-	9,730	-	-	-	9,730
Warrants exercised	8,869,000	3,038,300	-	-	(481,850)	-	-	2,556,450
Warrants issue costs transferred to share issue costs	-	(27,380)	-	-	27,380	-	-	-
Warrants expired	-	-	80	-	(80)	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	(18,243)	(2,655,934)	(2,674,177)
Balance at December 31, 2011	55,263,655	12,703,282	13,097,120	1,032,491	-	28,874	(21,227,839)	5,633,928
Stock options expired	-	-	271,160	(271,160)	-	-	-	-
Share-based compensation	-	-	-	104,777	-	-	-	104,777
Repurchases of common shares	(13,440,000)	(4,032,000)	-	-	-	-	-	(4,032,000)
Share repurchase costs	-	(20,074)	-	-	-	-	-	(20,074)
Total comprehensive income (loss) for the year	-	-	-	-	-	(33,493)	12,693,358	12,659,865
Balance at December 31, 2012	41,823,655	8,651,208	13,358,280	866,108	-	(4,619)	(8,534,481)	14,346,496

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

1. NATURE OF OPERATIONS

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

The address of the Company's registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2012.

Basis of presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

	Place of Incorporation	Principal Activity
IMPSA Resources Corporation	BC, Canada	Holding company
Valle Del Cura S.A.	Argentina	Exploration company
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.

Foreign currencies

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

Royalty Revenue

Royalty revenue is based upon amounts contractually due pursuant to the underlying royalty agreement. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount pursuant to the terms of the royalty agreement.

<u>Non-derivative financial assets</u>

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

Financial assets at fair value through profit or loss ("FVTPL")

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables

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

Loans and receivables comprise cash, short terms investments, deposit, amounts receivable and royalty income receivable.

Available-for-sale assets

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

Other financial liabilities

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

Property and Equipment

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

Exploration, Evaluation and Development Expenditures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Royalty interest

Royalty interests held are considered to be mineral property interests and are recorded at cost upon acquisition. Any proceeds received on sale of royalty interests are offset against the related carrying value with the difference recorded as a gain or loss on disposal. Refer to note 11, Royalty Sale.

Cash and Cash Equivalents

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

Impairment

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Valuation of equity units issued in private placements

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

Share-based Payment Transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Earnings per Share

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

Income Taxes

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

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

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

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

Significant Accounting Estimates and Judgments

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

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Critical accounting estimates

i. the inputs used in accounting for share-based compensation expense in profit or loss;

ii. the assessment of indications of impairment of each mineral property and related determination of the recoverable amount and write-down of those properties where applicable;

iii. the calculation and disclosure of royalty income and the sale of the Company's 1% net smelter royalty ("NSR") on Yamana Gold Inc's Gualcamayo Gold mine and,

Critical accounting judgments

i. 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.

ii. 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.

New Accounting Standards and Interpretations

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is yet to assess IFRS 10's full impact, however based on the current facts and circumstances; the Company does not expect to be materially affected by the application of this standard.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is yet to assess IFRS 11's full impact, however based on the current facts and circumstances; the Company does not expect to be materially affected by the application of this standard.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is yet to assess IFRS 12's full impact, however based on the current facts and circumstances; the Company does not expect to be materially affected by the application of this standard.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is yet to assess IFRS 13's full impact, however based on the current facts and circumstances; the Company does not expect to be materially affected by the application of this standard.

(Expressed in Canadian Dollars)

3. PROPERTY AND EQUIPMENT

	Computer Software	Geological Equipment	Vehicles	Total $
Cost				
Balance at December 31, 2011	20,893	65,683	65,431	152,007
Additions	5,578	-	45,633	51,211
Balance at December 31, 2012	26,471	65,683	111,064	203,218
Accumulated Depreciation				
Balance at December 31, 2011	-	43,963	13,890	57,853
Depreciation	6,617	21,720	13,439	41,776
Balance at December 31, 2012	6,617	65,683	27,329	99,629
Carrying Amount				
At December 31, 2011	20,893	21,720	51,541	94,154
At December 31, 2012	19,854	-	83,735	103,589

	Computer Software	Geological Equipment	Vehicles	Total $
Cost				
Balance at December 31, 2010	-	44,488	30,338	74,826
Additions	20,893	21,195	35,093	77,181
Balance at December 31, 2011	20,893	65,683	65,431	152,007
Accumulated Depreciation				
Balance at December 31, 2010	-	11,122	6,068	17,190
Depreciation	-	32,841	7,822	40,663
Balance at December 31, 2011	-	43,963	13,890	57,853
Carrying Amount				
At December 31, 2010	-	33,366	24,270	57,636
At December 31, 2011	20,893	21,720	51,541	94,154

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2012 and December 31, 2011:

Acquisition Costs

	Argentina									Chile	
	Fronterra District $	La Rioja $	Caballos $	Chinchillas $	Darmar $	Pescado $	Mogote $	Purulla $	Other $	Mogote $	Total $
Balance – December 31, 2011	650,396	9,697	-	22,834	-	30,021	80,686	128,473	70,499	13,417	1,006,023
Additions											
Staking costs, land payments and acquisition costs	2,642	4,850	1,752	277,851	100,050	1,409	-	-	10,811	-	399,365
Option payment proceeds	-	-	-	-	-	-	(80,686)	-	-	(13,417)	(94,103)
Impairment	-	-	-	-	-		-	(128,473)	-	-	(128,473)
	2,642	4,850	1,752	277,851	100,050	1,409	(80,686)	(128,473)	10,811	(13,417)	176,789
Balance – December 31, 2012	653,038	14,547	1,752	300,685	100,050	31,430	-	-	81,310	-	1,182,812

Exploration Expenditures

	Argentina							Chile	
	Fronterra District $	La Rioja $	Chinchillas $	Caballos $	Pescado $	Purulla $	Other $	Mogote $	Total $
Cumulative exploration expenses – December 31, 2011	4,323,247	1,443,205	244,665	1,626	843,108	259,953	543,661	13,325	7,672,790
Expenditures during the period									
Assays	-	7,213	119,780	8,709	-	-	-	-	135,702
Drilling	-	-	790,499	-	-	-	-	-	790,499
Imagery and base maps	-	-	11,443	-	-	-	-	-	11,443
Geophysics and metallurgy	-	3,652	36,071	43,903	-	-	-	-	83,626
Office	132	34,049	310,541	68,895	-	-	700	-	414,317
Salaries and contractors	2,689	91,362	777,849	78,986	743	-	1,538	-	953,167
Supplies and equipment	-	4,912	320,766	39,298	-	-	1,207	-	366,183
Transportation	-	7,630	150,241	9,245	-	-	24	-	167,140
Statutory taxes	485	13,647	248,223	22,272	191	-	1,268	-	286,086
	3,306	162,465	2,765,413	271,308	934	-	4,737	-	3,208,163
Properties no longer explored	-	-	-	-	-	(259,953)	-	-	(259,953)
Cumulative exploration expenses – December 31, 2012	4,326,553	1,605,670	3,010,078	272,934	844,042	-	548,398	13,325	10,621,000

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2011 and December 31, 2010:

Acquisition Costs

	Argentina							Chile	
	Fronterra District $	La Rioja $	Mogote $	Chinchillas $	Pescado $	Purulla $	Other $	Mogote $	Total $
Balance – December 31, 2010	647,867	-	176,718	-	30,021	128,473	68,945	8,464	1,060,488
Additions									
Staking costs and land payments	9,269	11,610	-	22,834	-	-	6,791	4,953	55,457
Option payment proceeds	(6,740)	(1,913)	(96,032)	-	-	-	(5,237)	-	(109,922)
	2,529	9,697	(96,032)	22,834	-	-	1,554	4,953	(54,465)
Balance – December 31, 2011	650,396	9,697	80,686	22,834	30,021	128,473	70,499	13,417	1,006,023

Exploration Expenditures

	Argentina					Chile		
	Fronterra District $	La Rioja $	Chinchillas $	Pescado $	Purulla $	Other $	Mogote $	Total $
Cumulative exploration expenses – December 31, 2010	2,655,364	284,106	-	843,108	259,953	458,581	5,288	4,506,400
Expenditures during the period								
Assays	59,723	45,563	1,869	-	-	1,896	286	109,337
Drilling	268,637	-	-	-	-	-	-	268,637
Geophysics and metallurgy	77,708	64,777	14,706	-	-	10,667	-	167,858
Office	155,158	104,581	12,451	-	-	6,964	-	279,154
Salaries and contractors	364,013	455,844	105,767	-	-	41,577	3,826	971,027
Supplies and equipment	536,608	348,374	51,645	-	-	13,781	2,053	952,461
Transportation	47,978	31,586	33,424	-	-	3,637	668	117,293
Statutory taxes	158,058	108,374	24,803	-	-	8,184	1,204	300,623
	1,667,883	1,159,099	244,665	-	-	86,706	8,037	3,166,390
Cumulative exploration expenses – December 31, 2011	4,323,247	1,443,205	244,665	843,108	259,953	545,287	13,325	7,672,790

(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.

Under the terms of the Option Agreement Golden Arrow may acquire a 100% interest in the Chinchillas project by making the cash payments to the vendor totaling $1.8 million over four years, as shown below:

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

Option Payment USD $	Date
20,000	August 3, 2011 (paid)
80,000	February 3, 2012 (paid)
150,000	August 3, 2012 (paid)
250,000	August 3, 2013
400,000	August 3, 2014
900,000	August 3, 2015
1,800,000	

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

(b) Fronterra District, Argentina

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

(c) Varitas, La Rioja, Argentina

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

(d) Mogote Property, Argentina

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

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

Under the terms of the option agreement, as amended on December 7, 2012, Vale can earn an initial 70% interest in the projects by completing USD $6.8 million in exploration expenditures and making USD $2.8 million in cash payments to the Company over 4 years.

Date	Cash Payments USD $	Exploration Expenditures USD $
By September 2, 2011	100,000 (received)	800,000 (incurred)
By September 2, 2012	200,000 (received)	2,000,000 (incurred)
By September 2, 2013	200,000	1,500,000
By September 2, 2014	2,300,000	2,500,000
	2,800,000	6,800,000

In addition, Vale will make the underlying vendor payments of USD $1.025 million with regard to the Purulla project. If Vale elects to drop one of the two properties during the option, the overall terms will remain the same with the exception that if Purulla is dropped Vale will no longer be responsible for making the underlying vendor payments.

(Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

During the year ended December 31, 2012, Vale terminated its option on the Purulla project.

Vale has the option to increase its interest to 85% by funding and delivering a Feasibility Study within a further 3 year period. Subsequently Vale will have the option for a further 2 years to purchase the Company's remaining 15% interest in the project for fair market value. Golden Arrow will retain a 1.5% Net Smelter Royalty (NSR) of which Vale will have the option to purchase 0.5% for USD $7.0 million. The option agreement includes a firm commitment by Vale to complete USD $800,000 in exploration expenditures and make USD $125,000 in vendor payments during the first year. These commitments were met in accordance with the option agreement.

(e) Caballos, La Rioja, Argentina

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

5. INVESTMENTS

At December 31, 2012, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	230,990	$11,550
Premier Royalty Corp. warrants ("Premier Royalty")	1,000,000	$1,250,000
		$1,261,550

At December 31, 2011, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	230,990	$45,043
		$45,043

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 (income) loss in the period in which they occur. An unrealized loss of $33,493 (2011 – $18,243) was recorded for the year ended December 31, 2012.

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

6. ROYALTY REVENUE

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

For the year ended December 31, 2012, the Company earned $1,944,806 (USD $1,940,335) in royalty revenue from Yamana. As at December 31, 2012, $Nil (December 31, 2011 –$631,563 (USD $621,006)) is included in royalty receivable. For the year ended December 31, 2011, the Company earned $2,238,979 (USD $2,263,653) in royalty revenue from Yamana. Refer to Note 11, Royalty Sale.

(Expressed in Canadian Dollars)

7. SHORT-TERM INVESTMENTS

At December 31, 2012 the Company held the following short-term investments

	December 31, 2012	
Guaranteed Investment Certificate	Maturity	Fair value
		$
Prime less 1.65% annual interest rate	November 8, 2013	10,750,000
Prime less 1.95% annual interest rate	November 8, 2013	800,000
		11,550,000

At December 31, 2011 the Company held the following short-term investments:

	December 31, 2011	
Guaranteed Investment Certificate	Maturity	Fair value
		$
1.45% annual interest rate	April 26, 2012	2,009,937
1.30% annual interest rate	May 4, 2012	100,000
1.38% annual interest rate	May 4, 2012	900,000
1.25% annual interest rate	December 24, 2012	255,713
		3,265,650

All term deposits are redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The Company places its deposits with financial institutions with high credit ratings.

8. CAPITAL AND RESERVES

Authorized Share Capital

At December 31, 2012, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued Share Capital

At December 31, 2012, the issued share capital comprised 41,823,655 common shares (December 31, 2011 – 55,263,655).

Details of Common Share Repurchases in 2012 and 2011

On September 11, 2012, the Company received shareholder approval for the sale of the Company's 1% NSR on Yamana's Gualcamayo gold mine to Premier Royalty Corporation ("Premier Royalty") for gross proceeds

(Expressed in Canadian Dollars)

8. CAPITAL AND RESERVES (continued)

of $17,750,000. The Company received valid dissent notices representing 13,440,000 common shares. In accordance with dissent law, the Company acquired these shares in December 2012 at their fair market value as at September 10, 2012 of $0.30 completing the share repurchase program for an aggregate purchase price of $4,032,000 and common share repurchase costs of $20,074.

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 the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

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

The continuity of share purchase options for the year ended December 31, 2012 is as follows:

Expiry date	Exercise Price	December 31, 2011	Granted	Exercised	Expired/ forfeited	December 31, 2012	Options exercisable
March 15, 2012	$0.80	75,000	-	-	(75,000)	-	-
September 10, 2012	$1.00	578,000	-	-	(578,000)	-	-
August 4, 2013	$0.31	75,000	-	-	-	75,000	75,000
May 7, 2014	$0.35	1,445,000	-	-	(50,000)	1,395,000	1,395,000
March 31, 2015	$0.36	100,000	-	-	-	100,000	100,000
April 22, 2015	$0.36	150,000	-	-	-	150,000	150,000
October 1, 2015	$0.35	885,000	-	-	-	885,000	885,000
October 29, 2015	$0.38	75,000	-	-	-	75,000	75,000
November 4, 2015	$0.40	870,000	-	-	(50,000)	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
		4,253,000	600,000	-	(753,000)	4,100,000	4,100,000
Weighted average exercise price $		0.46	0.32	-	0.90	0.36	0.36
Weighted average contractual remaining life (years)		2.77	4.37	-	-	2.46	2.46

(Expressed in Canadian Dollars)

8. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the year ended December 31, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010	Granted	Exercised	Expired/ forfeited	December 31, 2011	Options exercisable
March 15, 2012	$0.80	75,000	-	-	-	75,000	75,000
September 10, 2012	$1.00	588,000	-	-	(10,000)	578,000	578,000
May 7, 2014	$0.35	1,590,000	-	(145,000)	-	1,445,000	1,445,000
August 4, 2014	$0.31	-	75,000	-	-	75,000	37,500
March 31, 2015	$0.36	100,000	-	-	-	100,000	100,000
April 22, 2015	$0.36	150,000	-	-	-	150,000	150,000
October 1, 2015	$0.35	960,000	-	(25,000)	(50,000)	885,000	885,000
October 29, 2015	$0.38	75,000	-	-	-	75,000	75,000
November 4, 2015	$0.40	870,000	-	-	-	870,000	870,000
		4,408,000	75,000	(170,000)	(60,000)	4,253,000	4,215,500
Weighted average exercise price $		0.46	0.31	0.35	0.46	0.46	0.46
Weighted average contractual remaining life (years)		3.77	2.6	-	-	2.77	2.77
Weighted average share price on exercise		-	-	0.56	-	-	-

The weighted average fair value of share purchase options granted during the year ended December 31, 2012 is $0.17 (2011 - $0.22). Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31, 2012	2011
Risk-free interest rate	1.21%	1.06%
Expected option life in years	3.5	3.0
Expected share price volatility	83%	111%
Grant date share price	$0.31	$0.33
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

Warrants

During the period ended December 31, 2012, the Company had no warrants outstanding.

The continuity of warrants for the period ended December 31, 2011 is as follows:

Expiry date	Exercise Price $	December 31, 2010	Granted	Exercised	Expired/ cancelled	December 31, 2011
January 9, 2011	0.225	4,716,000	-	(4,714,000)	(2,000)	-
January 30, 2011	0.36	4,155,000	-	(4,155,000)	-	-
		8,871,000	-	(8,869,000)	(2,000)	-
Weighted average exercise price $		0.29	-	0.29	0.225	-

(Expressed in Canadian Dollars)

9. 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 provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is $50,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expired on December 31, 2012 and was automatically renewed for a period of two years pursuant to the terms of the Agreement. The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000.

	Year ended December 31,	
	2012	2011
Transactions	$	$
Services rendered:		
Grosso Group Management Ltd.		
Administration and management services[1]	336,300	357,300
Rent, parking and storage[1]	114,053	81,450
Office & sundry[1]	84,300	82,200
Total for services rendered	534,653	520,950

(1) Included in the Consolidated Statements of Loss and Comprehensive Loss for the years ended December 31, 2012 and 2011.

Cacos Consulting Ltd. ("Cacos Consulting") is a private company controlled by Mr. Nikolaos Cacos, a director of the Company. For the year ended December 31, 2012, Cacos Consulting was paid $60,000 (year ended December 31, 2011 - $48,000) for management consulting services. Amounts paid to Cacos Consulting are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

At December 31, 2012 the Company had $12,000 (December 31, 2011 - $Nil) included in accounts payable and accrued liabilities to Cacos Consulting.

Vinland Holdings Ltd. ("Vinland") is a private company controlled by Dr. David Terry, a director and former officer to the Company. For the year ended December 31, 2012, Vinland was paid $16,125 (year ended December 31, 2011 – $114,600) for geological services. Amounts paid to Vinland are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

Oxbow International Marketing Corp. ("Oxbow") is a private company controlled by Mr. Joseph Grosso, a director and an officer to the Company. For the year ended December 31, 2012, Oxbow was paid $125,000 (year ended December 31, 2011 – $125,000) for management consulting services. Amounts paid to Oxbow are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel compensation

Compensation	Salaries $	Other $	Year ended December 31, 2012 $	Salaries $	Year ended December 31, 2011 $
Chief Executive Officer	125,000	-	125,000	110,028	110,028
Chief Financial Officer	57,721	104,039[1]	161,760	53,430	53,430
Total	182,721	104,039	286,760	163,458	163,458

(1) Pursuant to an employment agreement, an amount equal to 24 months' salary was paid as the Company had sold its 1% NSR on Yamana's Gualcamayo gold mine to Premier Royalty Corp on November 9, 2012.

10. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended December 31, 2012 and 2011 was based on the following:

	Year ended December 31, 2012	Year ended December 31, 2011
Income (Loss) attributable to common shareholders ($)	12,693,358	(2,655,934)
Weighted average number of common shares outstanding	54,463,734	54,850,069

Diluted earnings per share did not include the effect of 4,100,000 (2011 – 4,253,000) share purchase options as they are anti-dilutive.

11. ROYALTY SALE

On November 9, 2012, the Company finalized the definitive purchase agreement (the "Agreement") regarding the sale by Golden Arrow and purchase by Premier Gold Mines Limited ("Premier Gold") through its wholly-owned subsidiary, Premier Royalty Corporation ("Premier Royalty"), of a 1% NSR on Yamana Gold Inc.'s Gualcamayo gold mine (the "Royalty") in consideration for $16,500,000 in cash and warrants to purchase an aggregate of up to 1 million shares of Premier Royalty at an exercise price per share equal to 120% of the IPO or "go public" price for a period of two years after the date of issue of the warrants (the "expiry date"). The Company will have the right (the "Put Right") on 30 days notice to require Premier Royalty to acquire all warrants outstanding at the time for cancellation for a purchase price of $1.25 per warrant at any time prior to the expiry date for a total of $1,250,000 if all warrants are put to Premier Royalty. Premier Gold has agreed to guarantee Premier Royalty's obligations under the Agreement, including the payment obligation upon the Company's exercise of the Put Right.

The determination of the Gain on Sale of Royalty for the year ended December 31, 2012 was calculated as follows:

(Expressed in Canadian Dollars)

11. ROYALTY SALE (continued)

	Amount ($)
Consideration received in cash and cash equivalents	17,750,000
Royalty income paid to Premier Royalty	(1,136,812)[1]
Transaction costs paid	(355,000)
Gain on sale of royalty	16,258,188

Net cash inflow upon sale of royalty for the year ended December 31, 2012 was calculated as follows:

	Amount ($)
Consideration received in cash	16,500,000
Transaction costs paid	(355,000)
Proceeds from sale of royalty less transaction costs paid	16,145,000
Royalty income paid to Premier Royalty	(1,136,812)[1]
Net cash inflow upon sale of royalty	15,008,188

[1]Pursuant to the terms of the purchase agreement signed May 24, 2012, the Company has paid to Premier Royalty the aggregate of royalty income received from Yamana for the period May 15, 2012 until completion of the definitive purchase agreement November 9, 2012.

12. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2012.

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

December 31, 2012	Canada $	Chile $	Argentina $	Total $
Mineral property interests	-	-	1,182,812	1,182,812
Property and equipment	-	-	103,589	103,589
	-	-	1,286,401	1,286,401

December 31, 2011	Canada $	Chile $	Argentina $	Total $
Mineral property interests	-	13,417	992,606	1,006,023
Property and equipment	-	-	94,154	94,154
Other receivable	-	-	234,532	234,532
Deposit	50,000	-	-	50,000
	50,000	13,417	1,321,292	1,384,709

(Expressed in Canadian Dollars)

13. INCOME TAXES

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

	2012	2011
Statutory tax rate	25.00%	26.50%
	$	$
Income (Loss) before income taxes	12,693,358	(2,655,934)
Income tax expense (recovery) at Canadian statutory rates	3,173,340	(703,823)
Non-deductible differences and others	(1,405,992)	(874)
Difference between Canadian and foreign tax rates	109,818	(54,090)
Tax benefits utilized	(1,877,166)	758,787
Income tax recovery	-	-

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

	2012	2011
	$	$
Deferred income tax assets		
Financing costs	22,476	34,822
Non-capital tax loss carry forwards	900,413	1,833,553
Resource deductions	836,544	2,482,978
Capital assets	33,068	18,586
Marketable securities	117,244	113,058
	1,909,745	4,482,997
Unrecognized deferred income tax assets	(1,909,745)	(4,482,997)
	-	-

The Company has Canadian non-capital loss carryforwards of $3,600,992 that may be available for tax purposes. The Company’s non-capital losses expire as follows:

Expiry Date	$
2029	515,777
2030	1,317,921
2031	1,767,294
	3,600,992

At December 31, 2012, the Company had a net operating loss carryforward for Argentina income tax purposes of approximately $Nil (2011 –$275,772).

(Expressed in Canadian Dollars)

14. COMMITMENTS

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	586,200	586,200	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is $48,850 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The fee for 2013 is consistent with the amount charged for the year ended December 31, 2012.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

(a) Fair Values

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

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

At December 31, 2012 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Warrant derivative assets	-	-	1,250,000	1,250,000
Marketable securities	11,550	-	-	11,550

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

At December 31, 2011 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Marketable securities	45,043	-	-	45,043

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

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

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

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

	Year ended December 31,	
	2012 $	2011 $
Marketable securities, beginning of period	45,043	554,980
Disposition of securities	-	(490,903)
Realized gain (loss) on marketable securities	-	(791)
Unrealized gain (loss) included in other comprehensive loss	(33,493)	(18,243)
Marketable securities, end of period	11,550	45,043

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, short-term investments, share purchase warrants and amounts receivable. The majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Overall the Company's credit risk has not changed significantly from the prior year. The Company places its short-term investments with financial institutions with high credit ratings, the credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) Currency risk

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

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income by $346.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net income by $2,187.

(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 mature one year from the date of purchase and are redeemable at any time without penalty, with interest paid after thirty days. The fair value of cash and short-term investments 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.

(iii) Capital Management

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

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

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

16. SUBSEQUENT EVENTS

On April 16, 2013, the Company announced that the Company will loan to Mr. Carlos Fernandez Mazzi, President and CEO, sufficient funds for Mr. Fernandez to purchase 750,000 Units of Golden Arrow, pursuant to a private placement, at the price of $0.30 per Unit. Each Unit will consist of one common share of Golden

16. SUBSEQUENT EVENTS (continued)

Arrow and one non-transferable share purchase warrant. Each whole warrant will entitle Mr. Fernandez to purchase one additional common share of Golden Arrow for a period of 24 months at the price of $0.37 per common share. The loan will be non-interest bearing unless there is a default in repayment, and will be secured by a first priority charge and security interest over the Units acquired.