Golden Arrow Resources Corporation

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2012 AND 2011

(Unaudited - Expressed in Canadian Dollars)

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.

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2012 $	December 31, 2011 $
ASSETS			
Non-current assets			
Property and equipment	3	67,539	94,154
Mineral property interests	4	1,176,818	1,006,023
Deposit		50,000	50,000
Other receivable		327,139	234,532
Total non-current assets		1,621,496	1,384,709
Current assets			
Prepaid expenses		71,505	102,734
Marketable securities	5	25,409	45,043
Amounts receivable		75,240	43,795
Interest receivable		-	28,956
Royalty income receivable	6	-	631,563
Short-term investments	7	-	3,265,650
Cash		1,353,991	369,656
Total current assets		1,526,145	4,487,397
Total Assets		3,147,641	5,872,106
EQUITY			
Share capital	8	12,703,282	12,703,282
Reserves	8	14,150,119	14,158,485
Deficit		(24,421,312)	(21,227,839)
Total equity		2,432,089	5,633,928
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		468,360	238,178
Amount due to Premier Royalty Corporation	11	247,192	-
Total current liabilities		715,552	238,178
Total Equity and Liabilities		3,147,641	5,872,106

COMMITMENTS (Note 13)

SUBSEQUENT EVENTS (Note 16)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 23, 2012. They are signed on the Company's behalf by:

"Joseph Grosso" , Director

"David Horton" , Director

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended September 30, 2012 $	Three months ended September 30, 2011 $	Nine months ended September 30, 2012 $	Nine months ended September 30, 2011 $
Expenses					
Administration and management services	9	107,625	138,100	325,426	392,700
Corporate development and investor relations		65,108	52,618	189,143	221,567
Depreciation		5,958	8,210	22,379	24,631
Exploration		584,094	519,197	2,289,687	2,460,582
Foreign exchange (gain) loss		27,361	(37,812)	1,494	102,708
Office and sundry	9	35,184	27,738	84,911	95,845
Professional fees		404,235	11,810	581,967	64,913
Rent, parking and storage	9	39,074	24,364	82,094	67,573
Salaries and employee benefits	9	240,780	65,624	406,380	143,921
Share-based compensation		-	7,417	11,268	7,417
Transfer agent and regulatory fees		5,791	1,554	18,003	13,782
Travel and accommodation		12,543	53,753	52,967	80,534
Loss from operating activities		1,527,753	872,573	4,065,719	3,676,173
Royalty income	6, 11	281,915	(560,307)	(864,231)	(1,606,674)
Interest income		(3,575)	(15,176)	(22,069)	(35,004)
Write-off of mineral property interests	4	-	-	128,473	-
Income from option agreement		(114,419)	-	(114,419)	-
Loss on disposal of securities		-	-	-	791
Loss for the period		1,691,674	297,090	3,193,473	2,035,286
Other comprehensive loss (income)					
Unrealized (gain) loss on available-for-sale marketable securities		15,014	5,775	19,634	34,412
Other comprehensive loss (income)		15,014	5,775	19,634	34,412
Total comprehensive loss		1,706,688	302,865	3,213,107	2,069,698
Basic and diluted loss per common share ($)	10	(0.03)	(0.01)	(0.06)	(0.04)

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Three months ended September 30, 2012 $	Three months ended September 30, 2011 $	Nine months ended September 30, 2012 $	Nine months ended September 30, 2011 $
Cash flows from operating activities				
Loss for the period	(1,691,674)	(297,090)	(3,193,473)	(2,035,286)
Adjustments for:				
Depreciation of property and equipment included in exploration expenses	3,271	1,517	9,814	4,550
Depreciation	5,958	8,210	22,379	24,631
Loss on disposal of securities	-	-	-	791
Share-based compensation	-	7,417	11,268	7,417
Income from option agreement	(114,419)	-	(114,419)	-
Write-off of mineral property interests	-	-	128,473	-
	(1,796,864)	(279,946)	(3,135,958)	(1,997,897)
(Increase) decrease in other receivable	(8,340)	(45,870)	(92,607)	(87,969)
Change in non-cash working capital items:				
(Increase) decrease in royalty income receivable	540,813	5,211	631,563	(138,610)
(Increase) decrease in amounts receivable	18,880	108,624	(31,445)	4,817
(Increase) decrease in interest receivable	4,689	-	28,956	-
(Increase) decrease in prepaid expenses	11,622	(164,202)	31,229	(125,868)
Increase (decrease) in accounts payable and accrued liabilities	(286,566)	58,800	230,182	(87,933)
Increase (decrease) in amount payable to Premier Royalty Corporation	247,192	-	247,192	-
	528,290	(37,437)	1,045,070	(435,563)
Net cash used in operating activities	(1,268,574)	(317,383)	(2,090,888)	(2,433,460)
Cash flows from investing activities				
Mineral property interests	(183,355)	-	(393,371)	(29,967)
Option payment proceeds	208,522	109,922	208,522	109,922
Expenditures on property and equipment	(5,578)	(20,893)	(5,578)	(42,088)
Disposal of marketable securities	-	-	-	490,903
Purchase of short-term investments	-	(500,000)	(2,649,318)	(4,750,301)
Redemption of short-term investments	2,149,318	750,000	5,914,968	2,753,197
Net cash used in investing activities	2,168,907	339,029	3,075,223	(1,468,334)
Cash flows from financing activities				
Exercise of warrants	-	-	-	2,556,450
Exercise of options	-	-	-	59,500
Net cash generated by financing activities	-	-	-	2,615,950
Net increase (decrease) in cash	900,333	21,646	984,335	(1,285,844)
Cash at beginning of period	453,658	451,710	369,656	1,759,200
Cash at end of period	1,353,991	473,356	1,353,991	473,356

SUPPLEMENTARY CASH FLOW INFORMATION (Note 14)

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Share capital		Reserves					
	Number of shares	Amount $	Contributed surplus $	Equity settled share-based payments $	Warrants $	Investment revaluation $	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	-	-	3,783	(3,783)	-	-	-	-
Share-based compensation	-	-	-	7,417	-	-	-	7,417
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 (loss) for the period	-	-	-	-	-	(34,412)	(2,035,286)	(2,069,698)
Balance at September 30, 2011	55,263,655	12,703,282	13,082,701	1,044,597	-	12,705	(20,607,191)	6,236,094
Stock options expired	-	-	14,419	(14,419)	-	-	-	-
Share-based compensation	-	-	-	2,313	-	-	-	2,313
Total comprehensive (loss) for the period	-	-	-	-	-	16,169	(620,648)	(604,479)
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	-	-	258,915	(258,915)	-	-	-	-
Share-based compensation	-	-	-	11,268	-	-	-	11,268
Total comprehensive (loss) for the period	-	-	-	-	-	(19,634)	(3,193,473)	(3,213,107)
Balance at September 30, 2012	55,263,655	12,703,282	13,356,035	784,844	-	9,240	(24,421,312)	2,432,089

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

1. NATURE OF OPERATIONS

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

On January 27, 2010, the Company completed the spinout of its Peruvian and Colombian properties by way of a statutory plan of arrangement (the "Arrangement"). The Company, in exchange for 3,564,629 common shares and 1,921,800 warrants of Golden Alliance Resources Corporation, paid $930,000 and spun-out its Peruvian and Colombian mineral property interests with a carrying value of $1,380,483. The shares and warrants were distributed to the Company's shareholders and warrant holders.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Argentina and Chile. The address of the Company's registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6. 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

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Inversiones Mineras Australes Holdings (BVI) Inc.	British Virgin Islands	Holding company
IMPSA Resources Corporation	BC, Canada	Holding company
Valle Del Cura S.A.	Argentina	Exploration company
Golden Arrow Chile Ltda.	Chile	Exploration company
Inversiones Mineras Australes S.A.	Argentina	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 fair value of the consideration received or receivable when management can reliably estimate the amount pursuant to the terms of the royalty agreement.

Non-derivative financial assets

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

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

Financial assets are classified at fair value through profit or loss if they are classified as held for trading or are designated as such upon initial recognition. 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. FVTPL include short term investments.

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, deposit, amounts receivable and royalty income receivable.

Available-for-sale assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Other financial liabilities

The Company has the following other financial liabilities: royalty income payable, accounts payable and accrued liabilities.

Such 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.

Property and Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over their 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. Currently the Company's royalty interests have a carrying value of zero.

Cash and Cash Equivalents

Cash and cash equivalents are classified as loans and receivables and 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.

Discount rates using a pre-tax risk free rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Loss per Share

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

Income Taxes

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 estimated useful lives of property and equipment which are included in the consolidated statements of financial position and the related depreciation included in profit or loss;

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

iii. 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; 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In 2011, the International Accounting Standards Board 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 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.

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.

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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	-	-	5,578
Balance at September 30, 2012	26,471	65,683	65,431	157,585
Accumulated Depreciation				
Balance at December 31, 2011	-	43,963	13,890	57,853
Depreciation	3,309	19,070	9,814	32,193
Balance at September 30, 2012	3,309	63,033	23,704	90,046
Carrying Amount				
At December 31, 2011	20,893	21,720	51,541	94,154
At September 30, 2012	23,162	2,650	41,727	67,539

(Unaudited - 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 September 30, 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	-	-	80,686	128,473	100,520	13,417	1,006,023
Additions											
Staking costs, land payments and acquisition costs	2,696	4,949	1,787	271,417	100,050	1,438	-	-	11,034	-	393,371
Option payment proceeds	-	-	-	-	-	-	(80,686)	-	-	(13,417)	(94,103)
Disposals	-	-	-	-	-		-	(128,473)	-	-	(128,473)
	2,696	4,949	1,787	271,417	100,050	1,438	(80,686)	(128,473)	11,034	(13,417)	170,795
Balance – September 30, 2012	653,092	14,646	1,787	294,251	100,050	1,438	-	-	111,554	-	1,176,818

Exploration Expenditures

	Argentina							Chile	
	Fronterra District $	**La Rioja $**	**Chinchillas $**	**Caballos $**	**Pescado $**	**Purulla $**	**Other $**	**Mogote $**	**Total $**
Cumulative exploration costs – 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	-	7,016	102,382	8,559	-	-	-	-	117,957
Drilling	-	-	541,169	-	-	-	-	-	541,169
Imagery and base maps	-	-	11,443	-	-	-	-	-	11,443
Geophysics and metallurgy	-	2,716	11,676	43,713	-	-	-	-	58,105
Office	-	30,069	192,053	65,515	-	-	712	-	288,349
Salaries and contractors	2,744	84,087	514,501	71,889	404	-	1,873	-	675,498
Supplies and equipment	-	2,722	193,501	39,866	-	-	-	-	236,089
Transportation	-	6,659	92,382	8,071	-	-	25	-	107,137
Statutory taxes	593	15,070	210,486	26,102	201	-	1,488	-	253,940
	3,337	148,339	1,869,593	263,715	605	-	4,098	-	2,289,687
Properties no longer explored	-	-	-	-	-	(259,953)	-	-	(259,953)
Cumulative exploration costs – September 30, 2012	4,326,584	1,591,544	2,114,258	265,341	843,713	-	547,759	13,325	9,702,524

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

The schedule below summarizes all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at September 30, 2011 and December 31, 2010:

Exploration Expenditures

	Argentina						Chile	
	Fronterra District $	**La Rioja $**	**Chinchillas $**	**Pescado $**	**Purulla $**	**Other $**	**Mogote $**	**Total $**
Cumulative exploration costs – December 31, 2010	2,655,364	284,106	-	843,108	259,953	458,581	5,288	4,506,400
Expenditures during the period								
Assays	58,440	33,341	-	-	-	1,027	289	93,097
Drilling	225,252	-	-	-	-	-	-	225,252
Geophysics and metallurgy	61,367	11,101	-	-	-	5,550	-	78,018
Office	247,372	129,403	-	-	-	26,078	2,062	404,915
Salaries and contractors	361,063	426,243	-	-	-	47,313	3,863	838,482
Supplies and equipment	393,349	85,296	-	-	-	329	11	478,985
Transportation	45,598	26,184	-	-	-	13,826	674	86,282
Statutory taxes	162,354	81,017	-	-	-	10,835	1,345	255,551
	1,554,795	792,585	-	-	-	104,958	8,244	2,460,582
Cumulative exploration costs – September 30, 2011	4,210,159	1,076,691	-	843,108	259,953	563,539	13,532	6,966,982

(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 979ha 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; $20,000 was paid on signing and a further $80,000 is due by the 6 month anniversary.

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.

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

(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, covering 4,900ha.

(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 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 3 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	2,500,000	4,000,000
	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. 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. Vale will be the operator during the term of the option. The exploration programs will be decided upon by a management committee comprised of one representative from each company. 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.

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

(e) Caballos, La Rioja, Argentina

The Company owns a 100% interest in the Caballos property in western La Rioja Province, Argentina, covering 25,195ha.

5. MARKETABLE SECURITIES

At September 30, 2012, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	230,990	$25,409
		$25,409

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 as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive income in the period in which they occur. An unrealized loss of $25,409 (2011 – $5,775) was recorded for the three months ended September 30, 2012. An unrealized loss of $19,634 (2011 – $34,412) was recorded for the nine months ended September 30, 2012.

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 three months ended September 30, 2012, the Company earned $Nil in royalty revenue from Yamana. For the nine months ended September 30, 2012, the Company earned $864,231 (USD $865,295) in royalty revenue from Yamana. As at September 30, 2012, $Nil (December 31, 2011 –$631,563 (USD $621,006)) is included in royalty receivable. For the three months ended September 30, 2011, the Company earned $560,307 (USD $571,428) in royalty revenue from Yamana. For the nine months ended September 30, 2011, the Company earned $1,606,674 (USD $1,642,648) in royalty revenue from Yamana.

7. SHORT-TERM INVESTMENTS

At September 30, 2012 the Company did not hold any short term investments.

7. SHORT-TERM INVESTMENTS (continued)

(Unaudited - Expressed in Canadian Dollars)

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 September 30, 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 September 30, 2012, the issued share capital comprised 55,263,655 common shares (December 31, 2011 – 55,263,655).

Shareholder Dissent Notice

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 estimated proceeds of $17,750,000. The Company received a valid dissent notice representing 5,393,000 common shares. Subject to compliance with applicable laws, the Company is obligated to acquire these shares at their fair market value as at September 10, 2012. As of September 30, 2012, the Company had not completed the sale of the royalty. Upon closing of the sale, the Company intends to proceed with the purchase of the 5,393,000 common shares in accordance with the dissent notice in accordance with dissent law.

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.

8. CAPITAL AND RESERVES (continued)

(Unaudited - Expressed in Canadian Dollars)

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 period ended September 30, 2012 is as follows:

Expiry date	Exercise Price	December 31, 2011	Granted	Exercised	Expired/ cancelled	September 30, 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	-	-	-	870,000	870,000
June 24, 2017	$0.30	-	50,000	-	-	50,000	50,000
		4,253,000	50,000	-	(703,000)	3,600,000	3,600,000
Weighted average exercise price $		0.46	0.30	-	0.93	0.36	0.36
Weighted average contractual remaining life (years)		2.77	4.73	-	-	2.43	2.43
Weighted average share price on exercise		-	-	-	-	-	-

The continuity of share purchase options for the period ended September 30, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010	Granted	Exercised	Expired/ cancelled	September 30, 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	-
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)	-	935,000	935,000
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)	(10,000)	4,303,000	4,228,000
Weighted average exercise price $		0.46	0.31	0.35	1.00	0.45	0.46
Weighted average contractual remaining life (years)		3.8	2.9	3.3	-	3.0	3.0
Weighted average share price on exercise		-	-	0.56	-	-	-

(Unaudited - Expressed in Canadian Dollars)

The weighted average fair value of share purchase options granted during the nine months ended September 30, 2012 is $0.20 (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:

	Nine months ended September 30,	
	2012	2011
Risk-free interest rate	1.20%	1.06%
Expected option life in years	3.7	3.0
Expected share price volatility	97%	110.89%
Grant date share price	$0.30	$0.33
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

Warrants

During the period ended September 30, 2012, the Company had no warrants outstanding.

The continuity of warrants for the period ended September 30, 2011 is as follows:

Expiry date	Exercise Price $	December 31, 2010	Granted	Exercised	Expired/ cancelled	September 30, 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	-

9. RELATED PARTY BALANCES AND TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them have control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

On March 31, 2010, the Company and Blue Sky Uranium Corp. ("Blue Sky") collectively entered into a sale agreement with an officer and director of the Company to sell their shares held in Grosso Group Management Ltd., ("Grosso Group") for proceeds of $1. 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

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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 expires on December 31, 2012. The Agreement contains termination and early termination fees in the event the services are terminated by the Company.

(Unaudited - Expressed in Canadian Dollars)

The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000.

	Three months ended September 30,		Nine months ended September 30,	
Transactions	2012 $	2011 $	2012 $	2011 $
Services rendered:				
Grosso Group Management Ltd.				
Administration and management[1]	88,800	90,000	263,400	270,000
Rent, parking and storage[1]	36,000	21,300	74,400	62,250
Office & sundry[1]	25,200	19,200	59,700	68,700
Total for services rendered	150,000	130,500	397,500	400,950

(1) Included in the Interim Statements of Loss and Comprehensive Loss for the three and nine months ended September 30, 2012 and 2011.

Cacos Consulting Ltd. ("Cacos Consulting") is a private company controlled by Mr. Nikolaos Cacos, a director of the Company. For the three months ended September 30, 2012, Cacos Consulting was paid $12,000 (three months ended September 30, 2011 - $12,000) for management consulting services. For the nine months ended September 30, 2012 Cacos Consulting was paid $36,000 (nine months ended September 30, 2011 - $36,000) for management consulting services. Amounts paid to Cacos Consulting are classified as administration and management services in the interim statements of loss and comprehensive loss.

Vinland Holdings Ltd. ("Vinland") is a private company controlled by Dr. David Terry, a director and former officer to the Company. For the three months ended September 30, 2012, Vinland was paid $6,825 (three months ended September 30, 2011 – $36,100) for geological services. For the nine months ended September 30, 2012, Vinland was paid $13,125 (nine months ended September 30, 2011 - $86,700). Amounts paid to Vinland are classified as administration and management services in the interim 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 three months ended September 30, 2012, Oxbow was paid $31,250 (three months ended September 30, 2011 – $31,250) for management consulting services. For the nine months ended September 30, 2012, Oxbow was paid $93,750 (nine months ended September 30, 2011 - $62,500) for management consulting services. Amounts paid to Oxbow are classified as salaries and employee benefits in the interim statements of loss and comprehensive loss.

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel compensation

(Unaudited - Expressed in Canadian Dollars)

Compensation	Salaries $	Share-based benefits $	Other $	Three months ended September 30, 2012 $	Salaries $	Share-based benefits $	Other $	Three months ended September 30, 2011 $
Chief Executive Officer	31,250	-	-	31,250	31,250	-	-	31,250
Chief Financial Officer	13,661	-	104,039[1]	117,700	13,357	-	-	13,357
Total	44,911	-	104,039	148,950	44,607	-	-	44,607

Compensation	Salaries $	Share-based benefits $	Other $	Nine months ended September 30, 2012 $	Salaries $	Share-based benefits $	Other $	Nine months ended September 30, 2011 $
Chief Executive Officer	93,750	-	-	93,750	70,313	-	-	70,313
Chief Financial Officer	40,983	-	104,039[1]	145,022	40,072	-	-	40,072
Total	134,733	-	104,039	238,772	110,385	-	-	110,385

(1) Pursuant to an employment agreement, an amount equal to 24 months' salary is due upon sale of substantially all of the assets of the Company.

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2012 and 2011 was based on the following:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Loss attributable to common shareholders ($)	(1,691,674)	(297,090)	(3,193,473)	(2,035,286)
Weighted average number of common shares outstanding	55,263,655	55,263,655	55,263,655	54,677,582

Diluted loss per share did not include the effect of 3,600,000 (2011 – 4,303,000) share purchase options as they are anti-dilutive.

11. ROYALTY SALE

As at September 30, 2012, the sale of the Company's 1% NSR on Yamana's Gualcamayo gold mine to Premier Royalty Corporation ("Premier Royalty") was approved by the Company's shareholders. As a result, the Company reversed 51.6% of the royalty payment for the three months ended June 30, 2012 ($544,327 (USD $531,199)) and recorded this amount payable to Premier Royalty Corp. pursuant to the terms of the purchase agreement signed May 24, 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 period ended September 30, 2012.

(Unaudited - Expressed in Canadian Dollars)

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

September 30, 2012	Canada $	Chile $	Argentina $	Total $
Mineral property interests	-	-	1,176,818	1,176,818
Property and equipment	-	-	67,539	67,539
Other receivable	-	-	327,139	327,139
Deposit	50,000	-	-	50,000
	50,000	-	1,571,496	1,621,496

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

13. COMMITMENTS

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	120,000	-	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is $40,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expires on December 31, 2012.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	Nine months ended

	September 30,		September 30,	
	2012	2011	2012	2011
	$	$	$	$
Non-cash investing and financing activities				
Exercise of stock options	-	-	-	30,524
Exercise of warrants	-	-	-	481,850

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 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 September 30, 2012 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Marketable securities	25,409	-	-	25,409

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Short-term investments	3,265,650	-	-	3,265,650
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.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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).

(Unaudited - Expressed in Canadian Dollars)

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

	Three months ended September		Nine months ended	
	2012 $	2011 $	2012 $	2011 $
Marketable securities, beginning of period	40,423	34,649	45,043	554,980
Disposition of securities	-	-	-	(491,693)
Unrealized gain (loss) included in other comprehensive loss	(15,014)	(5,775)	(19,634)	(34,412)
Marketable securities, end of period	25,409	28,874	25,409	28,874

(b) Financial Instrument Risk Exposure

Credit risk

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

Liquidity risk

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

Market risk

(i) Currency risk

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

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $622.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $16,028.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(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. 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

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 (2) years after the date of issue of the warrants (the "expiry date"). The Company will have the right (the "Put Right") on 30 days notice to require Premier Royalty to acquire all warrants outstanding at the time for cancellation for a purchase price of $1.25 per warrant at any time prior to the expiry date for a total of $1,250,000 if all warrants are put to Premier Royalty. Premier Gold has agreed to guarantee Premier Royalty's obligations under the Agreement, including the payment obligation upon the Company's exercise of the Put Right.

Stock Option Expiry

On October 29, 2012, 50,000 stock options expired with an exercise price of $0.40.