GOLDEN ARROW RESOURCES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2012 AND 2011

Introduction

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Golden Arrow Resources Corporation ("Golden Arrow" or "the Company") for the three and six months ended June 30, 2012 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of August 28, 2012.

Company Overview

Golden Arrow Resources Corporation was created on July 7, 2004, as a result of a corporate restructuring plan (the "Reorganization") completed by Kobex Minerals Inc. ("Kobex") (formerly IMA Exploration Inc.). Shareholders of Kobex were issued one share of the Company for every ten shares of Kobex held. The address of the Company's registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

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

Principal Properties

The Company's properties are all located in Argentina and include 30 properties covering 322,694 ha. in five provinces, as shown in Table 1, at the end of this section. The following summary discusses only the most active of these projects. Unless otherwise stated, the technical information provided below has been prepared by Bruce Smith, AUSIMM, Golden Arrow's Exploration Manager, and has been reviewed by Gerald G. Carlson, Ph.D., P.Eng., both Qualified Persons as defined under National Instrument 43-101.

Argentina

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

On May 29, 2009 the Company received its first quarterly payment from Yamana Gold Inc. ("Yamana") from the Company's 1% net smelter returns royalty ("NSR") from the initial production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina. Regular quarterly payments are scheduled to be made on January 31st, April 30th, July 31st and October 31st of each year of the mine life.

For the three months ended June 30, 2012, the Company earned $544,327 (USD $531,199) in royalty revenue from Yamana. For the six months ended June 30, 2012, the Company earned $1,146,146 (USD $1,139,650) in royalty revenue from Yamana. As at June 30, 2012, $540,813 (USD $531,199) (December 31, 2011 –$631,563 (USD $621,006)) is included in royalty receivable. For the three months ended June 30, 2011, the Company earned $607,750 (USD $626,420) in royalty revenue from Yamana. For the six months ended June 30, 2011, the Company earned $1,046,367 (USD $1,071,219) in royalty revenue from Yamana.

Subject to shareholder approval of the sale of the Company's 1% NSR on Yamana's Gualcamayo gold mine to Premier Royalty Corporation ("Premier Royalty"), 50.5% of the royalty revenue earned for the three months ended June 30, 2012 will become payable to Premier Royalty pursuant to the terms of the purchase agreement signed May 24, 2012.

2. Chinchillas, Jujuy

On August 3, 2011 the Company announced an option agreement ("Option Agreement") with a private group to acquire a 100% interest in the advanced stage 979 ha Chinchillas Silver Project located in Jujuy Province by making cash payments to the vendor totaling $1.8 million over four years.

The Chinchillas project is located in the prolific Bolivian silver-zinc-tin belt which extends into northern Argentina. The Company believes that Chinchillas has the potential to host a large silver+/- zinc+/-lead deposit. Similar projects in the district include Silver Standard Resources Inc.'s Pirquitas mine (148 Moz Proven and Probable reserves at 140.6 g/t Ag), 30 km SW of Chinchillas, which produced 7.1 Moz silver in 2011)[1]. Sumitomo's San Cristobal mine in Bolivia hosts similar geology and has estimated reserves of 285 million tonnes, grading 1.41% Zn, 0.48% Pb, and 53.0 g/t Ag or 484 Moz Ag, 4Mt Zn and 1.3 Mt Pb[2].

[1] *Pirquitas Mine Reserves from Silver Standard Resources Inc.'s website.*

[2] *San Cristobal Mine reserves from www.minerasancristobal.com. The mine is owned and operated by Sumitomo Corporation.*

The project is hosted within a Tertiary volcanic dome complex with associated tuffs and several overlapping or cross-cutting breccia bodies that have intruded Paleozoic sedimentary rocks, forming a bowl-shaped depression approximately 1.5 km by 600 m to 800 m in size.

Historical drilling on the property includes of 2,996 m in 14 holes (7 RC and 7 diamond holes) by two previous operators within a 1.0 km by 0.4 km area. This drilling tested five main mineralized targets, listed below.

- Socavon del Diablo, a hydrothermal Ag-Zn-Pb volcanic tuff and breccia hosted deposit.
- Silver Mantos, a near surface zone (0 to 100 m depth) in the western part of the basin with several high grade silver intercepts in flat-lying tuff and breccia zones.
- Silver Deep, below Silver Manto, where CHD-16 cut 8 m zone averaging 205 g/t Ag at 242 m depth.
- Zinc Zone, where hole CH-6, located in the center of the property between Socayon del Diablo and Silver Manto, cut a high grade zinc intersection of 14 m grading 8.06% Zn.
- Potrero Tunnel, a zone of Ag-Zn-Pb mineralized and brecciated Paleozoic sediments at the margin of the Dome complex.

Highlights from this drilling include:

- 112 m at 86 g/t AgEQ* (silver equivalent), 38.9 g/t Ag, 0.80% Pb, 1.6% Zn including 44 m at 114 g/t AgEQ* in CH- 1 at Socavon del Diablo
- 14 m at 8.06% Zn in CH-6 in the Zinc Zone
- 20 m at 183.1 g/t Ag and 8 m at 228.8 g/t Ag in CHD-15 at Silver Mantos

** Silver Equivalents (AgEQ) were calculated using US$28/oz. for silver, US$0.85/lb. for lead and US$0.85/lb. for zinc. Metallurgical recoveries and net smelter returns for the purpose of this calculation are assumed to be 100%.*
***True width of the intercepts is not known*

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

Silver Mantos: Silver Mantos zone is currently defined by 16 drill holes (12 completed by Golden Arrow) that tested an area of approximately 6 ha (300m x 300m). Mineralization is disseminated in two or more flat lying layers composed of strongly clay altered volcanic tuffs and breccias. The mineralization at Silver Mantos occurs from surface to 90 m depth and is open to expansion in all directions. There are two and locally three mineralized layers or mantos ranging between 2 and 48 m thick, averaging 12 m in thickness. The silver is thought to occur mostly in the silver sulphosalts, boulangerite and tetrahedrite, that occur disseminated with galena and sphalerite in the volcanic tuffs. Results are summarized below in Table 1.
Two exploratory drill holes on the margins of the volcanic basin indicate the potential to expand Silver Mantos. CGA-32 is located 160 m west of Silver Mantos at Labour 4 and intersected four mineralized layers including 218 g/t Ag over 15 m. CGA-33, located 100 m south of Silver Mantos at Contact Sur, cut 26 m at 116 g/t AgEQ*. There is good potential for the mineralization at Silver Mantos to expand west and south to connect with these exploratory drill holes.

Table 1. Silver Mantos Target - Summary of Drill Highlights

Zone	HOLE	From (m)	To (m)	Length (m)	Ag (g/t)	Pb (%)	Zn (%)	Ag EQ* (g/t)
SILVER MANTO	CGA-17	3	34	31	132	-	-	132
	CGA-18	17	37.7	20.7	163	2.47	-	214
	CGA-19	5	22	17	49	-	1.90	87
	CGA-20	23	26	3	80	0.83	-	97
	CGA-34	16	39	23	217	0.64	0.48	240
	and	44	57	13	88	-	2.32	135
	CGA-35	6	35	29	631	1.72	0.93	685
	and	39	56	17	323	-	-	323
	and	61	67	6	148	2.02	1.93	229
	and	71	73	2	246	-	-	246
	CGA-36	33	39	6	99	-	-	99
	and	65	93	28	155	1.38	-	183
	CGA-37	12	23	11	122	-	-	122
	and	31	34	3	107	-	-	107
	CGA-38	37	59	22	591	1.9	0.00	630
	CGA-39	15	44	29	515	0.68	1.18	553
	CGA-40	14	28	14	236	1.29	0.98	282
	CGA-41	27	37	10	64	0.54	1.18	99

* Silver Equivalents (AgEQ) were calculated using US$28/oz. for silver, US$0.85/lb. for lead and US$0.85/lb. for zinc. Metallurgical recoveries and net smelter returns for the purpose of this calculation are assumed to be 100%.

Socavon del Diablo: At Socavon del Diablo, 12 drill holes (9 by Golden Arrow), have defined a mineralized area of approximately 3.5 hectares (250 m by 150 m). Drill holes are between 30 m and 70 m apart. Mineralization includes manto-style within favorable shallow dipping volcanic tuff horizons and crosscutting feeder structures and hydrothermal breccias. All nine drill holes intersected significant near surface mineralization, with thicknesses between 2 m and 77 m. Within the zone there are typically between two and four mineralized layers, averaging approximately 12 m thick. Grades for the mineralized intercepts average approximately 52 g/t silver and 1.7% zinc. Lead is somewhat less persistent but locally contributes significant value. High grade intervals occur, with individual one meter samples grading up to 485 g/t Ag, 11.1% Pb and 8.5% Zn. The Socavon del Diablo target is open to expansion and future drilling will concentrate on extending this favorable area and targeting feeder zones. Results are summarized in Table 2.

New Target Area – Charge Sur: At Charge Sur (previously called Chinchillas target) in the area of the historic Chinchillas mine workings, two drill holes (CGA28 and CGA29) targeted an east-west structural zone below the old workings, with a coincident chargeability geophysical anomaly. Both holes intersected large intervals of breccia with sulphide matrix and corresponding silver-lead-zinc mineralization. The two drill holes are spaced 150m apart and this new zone has significant potential to add to a future Chinchillas resource. Results are summarized in Table 2.

Complete drill results and the drilling plan map are shown on the Company's web site.

Table 2. Socavon del Diablo and Outside Targets - Summary of Drill Highlights

Zone	HOLE	From (m)	To (m)	Length (m)	Ag (g/t)	Pb (%)	Zn (%)	Ag EQ* (g/t)
SOCAVON del DIABLO	CGA-21	**2**	**79**	**77**	**64**	1.36	3.09	155
	CGA-22	45	57	12	75	1.15	3.98	180
	CGA-23	18	29	11	47	0.86	1.10	87
	CGA-24	25	32	7	42	1.14	4.22	152
	CGA-25	0	36	36	64	0.60	0.97	96
	CGA-26	66	72	6	86	1.73	4.09	205
	CGA-27	23	38	15	34	0.83	2.18	96
	and	75	95	20	100	2.27	2.36	195
	CGA-42	4	6	2	65	1.6	1.80	135
Charge Sur	CGA-28	139	173	34	79	0.76	0.82	111
	CGA-29	69	72	3	113	-	1.89	152
Labor 4	CGA-32	10	25	15	218	-	-	218
Contacto Sur	CGA-33	4	30	26	46	0.73	2.73	117

* Silver Equivalents (AgEQ) were calculated using US$28/oz. for silver, US$0.85/lb. for lead and US$0.85/lb. for zinc. Metallurgical recoveries and net smelter returns for the purpose of this calculation are assumed to be 100%.

Future Work: Golden Arrow plans to focus future work on expanding the known mineralization and testing the many, as yet untested targets in a Phase II drill program.

3. Potrerillos, San Juan

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

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

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

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

- POT1 2011: The hole was drilled to 277 m total depth targeting Panorama Veins. Anomalous gold and silver values were intersected between 23 m and 40 m within silica veins and silicified breccias in andesite. The mineralized interval included 1 m at 1.14 g/t Au and 3.94 g/t Ag (32 m to 33 m) and 1 m at 1.57 g/t Au and 145.86 g/t Ag (39 m to 40 m).

- POT2 2011: This hole was drilled to 130 m total depth targeting Las Bandas. From 95 m to 103 m the hole cut 8 m averaging 0.25 g/t Au and 31.21 g/t Ag within an interval of drusy quartz-calcite stockwork veinlets hosted by silicified andesite.
- POT3 2011: This hole was drilled to 100.5 m total depth targeting Las Bandas. From 62 m to 65 m the hole cut 3 m averaging 0.01 g/t Au and 131.90 g/t Ag hosted by quartz calcite veinlets at the thrust contact between andesite volcanics and overlying rhyolites.

4. Mogote, San Juan

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

On September 9, 2010 the Company announced that it had entered into an option agreement with Vale Exploracion Argentina, S.A. ("VEASA"), a wholly-owned subsidiary of Vale S.A. ("Vale"), on its Mogote project and its Purulla copper-moly porphyry project in Catamarca Province, Argentina which is described below. 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 Golden Arrow over 3 years,

In addition, Vale will make underlying vendor payments of USD $1.025 million related 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 Golden Arrow'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 have been met in accordance with the option agreement.

On September 14, 2011 the Company announced it received from Vale the USD $100,000 option payment required to be made by the first anniversary of the option agreement. Vale also informed the Company that during the first year program on Mogote it completed detailed lithological and alteration mapping on the Zona Colorida and Stockwork Hill zones, rock sampling, petrography and PIMA work as well as 40 lines of geophysics including 32 km of IP, 180 km of ground magnetics, 51 km of radiometrics and 170 km of digital GPS surveying. The geophysical surveys covered the central and a portion of the southern Mogote property.

On June 18, 2012, the Company announced the results of Vale’s 7 hole, 3695 m drill program that was completed during Q1 and Q2, 2012. Vale's drilling has confirmed the existence of a copper porphyry system below the large and prominent steam leached alteration zone at the Zona Colorida.

Zona Colorida: Five widely spaced drill holes were completed at Zona Colorida with an average depth of 575 m. All holes encountered a multi-phase porphyry system with long intervals of intense quartz-pyrite vein stockworks and classic porphyry alteration, containing low grade copper mineralization. The best drill intercept recorded was in hole MGT DH5, from 68 m to 118 m (50 m interval) that averaged 0.224% copper.

Filo Central: Only one hole (MGT DH06) reached target depth of 576 m at Filo Central. Two additional holes, MGT DH07 and DH07A, reached 59 m and 185 m meters respectively. MGT DH07A ended in anomalous mineralization. From 90 m to the end of hole at 185 m MGT DH07A graded 0.147% copper.

Future Work: Vale has not yet notified the Company of its exploration plans for the Mogote property for the 2012-13 season.

5. Caballos, La Rioja

On September 8, 2011 Golden Arrow announced it had acquired the 22,900 ha. Caballos property through staking. The property is located in a prospective porphyry copper and epithermal gold-silver district along the Chilean border in western La Rioja Province. The Company has completed two initial prospecting and sampling campaigns on Caballos, identifying a new high-grade porphyry copper showing, the Caballos Copper Zone, and the Refugio de Plata Zone, a partially exposed vein/breccia silver target.

Highlights from limited initial sampling include:

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

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

During Q1, 2012, the Company completed a program of detailed ground magnetic and IP/Resistivity surveys at Caballos to define drill targets. On March 1, 2012, the Company announced that the program had resulted in the discovery of a large copper-gold porphyry target. The magnetic core of the interpreted porphyry system, 300 m by 800 m in dimensions, is largely covered by talus. The IP/Resistivity survey, conducted by Quantec Geoscience, shows a large chargeability high that closely correlates with the interpreted magnetic porphyry core.

Talus fine sampling has been completed in the southern half of the porphyry target, defining an 1,100 m by 400 m area with elevated with copper geochemistry (+50 ppm Cu envelope with a high of 1667 ppm Cu) and, in an overlapping but slightly reduced area, a gold geochemical anomaly (+20 ppb Au envelope with a high of 149 ppb Au), both centered on the quartz--magnetite stockwork exposure.

The Company is currently evaluating the results of the surface exploration program and is seeking an option or joint venture partner for the property.

6. Pescado Gold Project, San Juan

The Company holds nine mineral claims in the Gualcamayo area of San Juan. These 100% owned claims cover approximately 18,000 ha and form the Pescado Gold Project.

In 2008, the Company negotiated with Barrick Gold Exploration through its subsidiary Barrick Exploraciones Argentina S.A. ("BEASA") to provide a right of way to access water from Golden Arrow's Rio de las Taguas property. In exchange for providing access to water for BEASA's Pascua Lama gold project, Golden Arrow acquired from BEASA 100% of the 1,592 ha Aspero 1 claim. This claim is strategically important for Golden Arrow because it is contiguous to the Company's 100% owned Pescado Gold Project, which now totals 19,194 ha.

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

A helicopter-borne aeromagnetic survey was conducted on the Pescado Gold Project in 2008. The survey was flown by New Sense Geophysics Limited and comprised 1,870 line kilometres covering the entire 18,000 ha property with 200 m spaced lines.

On June 22, 2011 the Company announced it had entered into a letter agreement with Coronation Resources Limited ("Coronation") whereby Coronation may earn an initial 60% interest in the Pescado project by issuing 1.7 million shares to Golden Arrow and completing US$2.5 million in exploration expenditures on the project over four years

following the schedule laid out below. Coronation may earn an additional 15% interest in the project by subsequently sole-funding a feasibility study on the project. After a Joint Venture is formed if one party does not contribute funds to approved programs it will be diluted on a straight-line basis. Once a party is reduced to a 10% participating interest, its interest will convert to a 2.0% NSR. In Q2 2012, the option was terminated due to non-compliance by Coronation of the terms of the option agreement.

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

7. Don Bosco, La Rioja

On June 1, 2011 the Company announced it had acquired by staking a 100% interest in the 32,800 ha Don Bosco property in western La Rioja Province, Argentina. The property has since been reduced to a core 19,710ha. The property is located in the Pre-Cordillera region and elevations range from 2,500 m to 3,500 m above sea level. Work can be conducted all year round and a paved highway allows easy access to the southern part of the property.

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

Highlights for each zone include:

- San Alberto-El Pircado Zone
    - 2.4m averaging 2.04 g/t Au, 114 ppm Ag and 10.0% copper

- Llantenes Zone
    - 25% Cu, 0.64 g/t Au, 82 g/t Ag (grab sample)
    - 2m grading 3.3% Cu (chip sample)

- Las Minitas Silver Zone
    - 111 g/t Ag over 1m (chip sample)

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

Table 3. Golden Arrow Project List

Province	Project Name	Hectares
Jujuy	Qda.de Lucerio	2,500
	Antonia	7,583
	Chinchillas	976
La Rioja	Totora	10,000
	Varitas	70,129
	Don Bosco	31,026
	Caballos	22,737
	Brava	13,207
	Santa Rosa	10,000
San Juan	Mogote	8,821
	Pescado	30,179
	Veladero	3,150
	Huachi	3,514
	Cerro de las Mulas	6,664
	Soberado	874
	Despoblados	10,167
	Cerro del Diablo	3,247
	Taguas	1,749
	Potrerillos	3,999
	Chinguillos	3,610
	Bañitos	5,263
	Evelina	338
	Ofelia	5,350
	Aº Cajón de la Brea	2,500
Chubut	Las Bayas	24,539
	Costa	7,303
	Corcovado	10,000
	Sol 1	8,871
	Toros	9,400

Selected Annual Financial Information[(1)]

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

	Years Ended December 31,		
	2011 $	2010 $	2009 $
Royalty income	2,238,979[(4)]	1,616,065	1,335,714
Net loss for the year	(2,655,934)[(5)]	(1,661,273)[(2)]	(2,501,406)
Loss per share – basic and diluted	(0.05)	(0.04)	(0.09)
Total Assets	5,872,106	5,937,873[(3)]	5,348,977

(1) As the Company's IFRS transition date was January 1, 2010, 2009 comparative information has not been restated and is presented in accordance with Canadian GAAP.

(2) Includes $1,616,065 in royalty income, an increase over prior year, and decreased exploration of $1,530,864.

(3) The increase is related to an increase in cash, short term investments and marketable securities of $2,280,516 partially offset by a decrease in mineral properties of $1,331,163 mainly due to the transfer of mineral property interests to Golden Alliance and a reduction in prepaid expenses of $250,098.

(4) Increase in royalty income during 2011 due to higher gold prices and higher mine production compared to 2010.

(5) Includes $2,238,979 in royalty income, an increase over prior year, and increased exploration to $3,166,390.

<u>Results of Operations – For the Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011</u>

Other items

During the six months ended June 30, 2012, other items decreased by $29,237, to $1,036,167 compared to $1,065,404 for the six months ended June 30, 2011. The decrease in other income is largely due to:

- An increase in royalty income of $99,779 to $1,146,146 for the six months ended June 30, 2012 compared to $1,046,367 for the six months ended June 30, 2011. The increase is due to higher gold prices during the six months ended June 30, 2012 compared lower gold prices during the six months ended June 30, 2011. This was offset by an increase in write-off of mineral properties of $128,473 for the six months ended June 30, 2012 compared to $Nil for the six months ended June 30, 2011. The Company terminated its Purulla property option agreement during the six months ended June 30, 2012 compared to no terminations during the six months ended June 30, 2011.

Expenses

During the six months ended June 30, 2012, expenses decreased by $265,634, to $2,537,966 compared to $2,803,600 for the six months ended June 30, 2011. The decrease in expenses is largely due to:

- A decrease of $235,792 in exploration. Exploration expense was $1,705,593 for the six months ended June 30, 2012 compared to $1,941,385 for the six months ended June 30, 2011. An extensive drill program on the Chinchillas project in the Jujuy District of Northern Argentina was completed, as well as, an IP/Resistivity geophysical survey and geochemical sampling of the Caballos project in western La Rioja Province was completed during the six months ended June 30, 2012 compared to a diamond drilling program on the Potrerillos project in the Fronterra District of San Juan Province, as well as, intensive sampling and mapping surveys of the Don Bosco project in western La Rioja Province during the six months ended June 30, 2011.

- A decrease of $44,914 in corporate development and investor relations. Corporate development and investor relations were $124,035 during the six months ended June 30, 2012 compared to $168,949 during the six months ended June 30, 2011. The decrease is due to a lesser number of activities in promotion of the Company's projects in the six months ended June 30, 2012 compared to a greater number of activities in promotion of the Company's projects in the six months ended June 30, 2011.

The decreases were partially offset by:

- An increase of $124,629 in professional fees. Professional fees were $177,732 for the six months ended June 30, 2012 compared to $53,103 for the six months ended June 30, 2011. The increase is due to higher professional fees resulting from a fairness opinion relating to the sale of the Company's 1% NSR from Yamana's Gualcamayo gold mine to Premier Royalty during the six months ended June 30, 2012 compared to lower professional fees as no fairness opinion was required during the six months ended June 30, 2011.

- An increase in foreign exchange gain of $166,387. Foreign exchange gain was $25,867 for the six months ended June 30, 2012 compared to a foreign exchange loss of $140,520 for the six months ended June 30, 2011. The decrease is due to the fluctuation of the Argentinean Peso and US dollar against the Canadian dollar during the six months ended June 30, 2012 compared to the six months ended June 30, 2011 as well as differing amounts of funds were held in these respective currencies during these periods.

The net loss for the six months ended June 30, 2012 was $1,501,799 or $0.03 per basic and diluted share compared to a loss of $1,738,196 or $0.03 per basic and diluted share for the six months ended June 30, 2011.

Cash Flow

Operating Activities

Cash outflow from operating activities was $822,314 for the six months ended June 30, 2012 compared to $2,116,869 for the six months ended June 30, 2011. The decrease is due to less exploration expenditures offset by higher royalty income and changes in other non-cash working capital balances during the six months ended June 30, 2012 compared to the prior period.

Investing Activities

Cash inflow from investing activities was $906,316 for the six months ended June 30, 2012 compared to an outflow of $1,806,571 for the six months ended June 30, 2011. The Company redeemed short term investments of $3,765,650 and purchased short term investments of $2,649,318 during the six months ended June 30, 2012 compared to redemptions of $2,003,198 and purchases of $4,249,510 during the six months ended June 30, 2011. Property and equipment and mineral property expenditures were $Nil and $210,016, respectively, during the six months ended June 30, 2012 compared to $21,195 and $29,967, respectively, for the six months ended June 30, 2011. The Company did not purchase or sell marketable securities during the six months ended June 30, 2012 compared to $490,903 in sales of marketable securities during the six months ended June 30, 2011.

Financing Activities

Proceeds from the exercise of warrants were $Nil for the six months ended June 30, 2012 compared to $2,556,450 for the six months ended June 30, 2011 due to the imminent expiry of a large block of in-the-money warrants in January 2011. Proceeds from the exercise of options were $Nil for the six months ended June 30, 2012 compared to $59,500 for the six months ended June 30, 2011.

Results of Operations – For the Three Months Ended June 30, 2012 Compared to the Three Months Ended June 30, 2011

Other items

During the three months ended June 30, 2012, other items decreased by $195,104, to $424,238 compared to $619,342 for the three months ended June 30, 2011. The decrease in other income is largely due to:

- A decrease in royalty income of $63,423 to $544,327 for the three months ended June 30, 2012 compared to $607,750 for the three months ended June 30, 2011. The decrease is due to lower mine production in the three months ended June 30, 2012 compared to the three months ended June 30, 2011. This was offset by an increase in write-off of mineral properties of $128,473 for the three months ended June 30, 2012 compared to $Nil for the three months ended June 30, 2011. The Company terminated its Purulla property option agreement during the three months ended June 30, 2012 compared to no terminations during the three months ended June 30, 2011.

Expenses

During the three months ended June 30, 2012, expenses increased by $462,256, to $1,727,905 compared to $1,265,649 for the three months ended June 30, 2011. The increase in expenses is largely due to:

- An increase of $326,007 in exploration. Exploration expense was $1,201,273 for the three months ended June 30, 2012 compared to $875,266 for the three months ended June 30, 2011. A drill program on the Chinchillas project was completed during the three months ended June 30, 2012 compared to the completion of a diamond drilling program on its Potrerillos project in the Fronterra District of San Juan province during the three months ended June 30, 2011.

- An increase of $144,715 in professional fees. Professional fees were $168,482 for the three months ended June 30, 2012 compared to $23,767 for the three months ended June 30, 2011. The increase is due to higher professional fees resulting from a fairness opinion relating to the sale of the Company's 1% NSR from Yamana's Gualcamayo gold mine to Premier Royalty during the three months ended June 30, 2012 compared to lower professional fees as no fairness opinion was required during the three months ended June 30, 2011.

The increases were partially offset by:

- A decrease in foreign exchange loss of $56,903. Foreign exchange loss was $7,030 for the three months ended June 30, 2012 compared to $63,933 for the three months ended June 30, 2011. The decrease is due to the fluctuation of the Argentinean Peso and US dollar against the Canadian dollar during the three months ended June 30, 2012 compared to the three months ended June 30, 2011 as well as differing amounts of funds were held in these respective currencies during these periods.

The net loss for the three months ended June 30, 2012 was $1,303,667 or $0.03 per basic and diluted share compared to a loss of $646,307 or $0.01 per basic and diluted share for the three months ended June 30, 2011.

Cash Flow

Operating Activities

Cash outflow from operating activities was $445,388 for the three months ended June 30, 2012 compared to $1,097,175 for the three months ended June 30, 2011. The decrease is due to changes in non-cash working capital balances during the three months ended June 30, 2012 compared to the prior period.

Investing Activities

Cash inflow from investing activities was $596,308 for the three months ended June 30, 2012 compared to an outflow of $22,796 for the three months ended June 30, 2011. The Company redeemed short term investments of $3,259,937 and purchased short term investments of $2,649,318 during the three months ended June 30, 2012 compared to redemptions of $2,003,201 and purchases of $2,009,935 during the three months ended June 30, 2011. Mineral property expenditures were $14,311 during the three months ended June 30, 2012 compared to $16,062 during the three months ended June 30, 2011.

Balance Sheet

At June 30, 2012, the Company had total assets of $4,893,703 compared with $5,872,106 in total assets at December 31, 2011. The decrease is primarily due to a decrease in cash and short-term investments resulting from the Company's exploration programs and ongoing corporate and administrative cash costs.

Selected Quarterly Financial Information

	2012		2011				2010	
	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $
Revenue	544,327	601,819	632,305	560,307	607,750	438,617	471,389	453,444
Net Earnings Income (Loss)	(1,303,667)(6)	(198,132)(5)	(620,648)(4)	(297,090)(3)	(646,307)(2)	(1,091,889)	(1,047,555)(1)	(156,608)
Net Loss per Common Share Basic and Diluted	(0.03)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.00)

(1) Increase primarily driven by increases in share-based compensation and exploration of $506,727 and $491,856, respectively.

(2) Decrease primarily driven by decreases in exploration and corporate development and investor relations of $190,653 and $66,695, respectively, and an increase in royalty income of $169,133.

(3) Decrease primarily driven by a decrease in exploration expenditure of $356,069.

(4) Increase primarily driven by increases in exploration and foreign exchange loss of $186,611 and $152,706, respectively.

(5) Decrease primarily driven by a decrease in exploration expenditures of $201,488, salaries and employee benefits and management services of $29,187, professional fees of $62,952 offset by an increase in foreign exchange gain of $147,791.

(6) Increase primarily driven by an increase in exploration expenditures of $696,953, professional fees of $159,232, write-off of mineral property interests of $128,473 and foreign exchange loss of $39,927 offset by a decrease in royalty income of $57,492.

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of $22,729,638 at June 30, 2012 (December 31, 2011 - $21,227,839) and shareholders' equity of $4,138,777 at June 30, 2012 (December 31, 2011 –$5,633,928). In addition, the Company had working capital of $2,611,222 at June 30, 2012 (December 31, 2011 – $4,249,219). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

As the Company is an exploration stage company, revenues have been limited to interest earned on cash held with the Company's financial institutions and royalty revenue from Yamana. For the six months ended June 30, 2012, the Company recorded interest income of $18,494 compared to $19,828 for the six months ended June 30, 2011. The Company earned royalty revenue from its NSR on Yamana's Gualcamayo Gold Project totaling $1,146,146 for the six months ended June 30, 2012 compared to $1,046,367 for the six months ended June 30, 2011.

During the six months ended June 30, 2012, the Company did not undertake any financing activities.

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

Commitments

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	300,000	-	-	-	-

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 $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.

Capital Stock

At June 30, 2012, the Company had unlimited authorized common shares without par value. As at June 30, 2012, an aggregate of 55,263,655 common shares were issued and outstanding. As at August 28, 2012, 55,263,655 common shares were issued and outstanding.

	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)	-	-	-	-
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	-	-	-	-	-	(28,637)	(1,738,196)	(1,766,833)
Balance at June 30, 2011	55,263,655	12,703,282	13,082,701	1,037,180	-	18,480	(20,310,101)	6,531,542
Stock options expired	-	-	14,419	(14,419)	-	-	-	-
Share-based compensation	-	-	-	9,730	-	-	-	9,730
Total comprehensive (loss) for the period	-	-	-	-	-	10,394	(917,738)	(907,344)
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	-	-	45,908	(45,908)	-	-	-	-
Share-based compensation	-	-	-	11,268	-	-	-	11,268
Total comprehensive (loss) for the period	-	-	-	-	-	(4,620)	(1,501,799)	(1,506,419)
Balance at June 30, 2012	55,263,655	12,703,282	13,143,028	997,851	-	24,254	(22,729,638)	4,138,777

The Company has no warrants outstanding as at August 28, 2012.

The following summarizes information about the Company's share options outstanding and exercisable as at August 28, 2012:

Number of Shares		Exercise Price	
Outstanding	Exercisable	(CAD$)	Expiry Date
563,000	563,000	$1.00	September 10, 2012
1,395,000	1,395,000	$0.35	May 7, 2014
75,000	75,000	$0.31	August 4, 2014
100,000	100,000	$0.36	March 31, 2015
150,000	150,000	$0.36	April 22, 2015
885,000	885,000	$0.35	October 1, 2015
75,000	75,000	$0.38	October 29, 2015
870,000	870,000	$0.40	November 4, 2015
50,000	50,000	$0.30	June 24, 2017
4,163,000	4,163,000		

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

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:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Transactions	$	$	$	$
Services rendered:				
Grosso Group Management Ltd. (a)	120,000	139,950	247,500	279,900
Cacos Consulting Ltd. (b)	12,000	12,000	24,000	24,000
Vinland Holdings Ltd. (c)	3,300	30,600	6,300	50,600
Oxbow International Marketing Corp. (d)	31,250	31,903	62,500	31,903
Total for services rendered	166,550	214,453	340,300	386,403

(a) 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 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.

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.

(b) Cacos Consulting Ltd. is a private company controlled by Mr. Nikolaos Cacos, a director that provided management services to the Company at market rates.

(c) Vinland Holdings Ltd. is a private company controlled by Dr. David Terry, a director and former officer that provided geological services to the Company at market rates.

(d) Oxbow International Marketing Corp. is a private company controlled by Mr. Joseph Grosso, a director and officer that provided management services to the Company at market rates.

Key management personnel compensation

Compensation	Salaries $	Share-based benefits $	Three months ended June 30, 2012 $	Salaries $	Share-based benefits $	Three months ended June 30, 2011 $
Chief Executive Officer	31,250	-	31,250	31,250	-	31,250
Chief Financial Officer	13,661	-	13,661	13,088	-	13,088
Total	44,911	-	44,911	44,338	-	44,338

Compensation	Salaries $	Share-based benefits $	Six months ended June 30, 2012 $	Salaries $	Share-based benefits $	Six months ended June 30, 2011 $
Chief Executive Officer	62,500	-	62,500	46,875	-	46,875
Chief Financial Officer	27,322	-	27,322	26,176	-	26,176
Total	89,822	-	89,822	73,051	-	73,051

SUBSEQUENT EVENTS

On July 31, 2012, the Company received its 1% NSR quarterly payment of $544,327 (USD $531,199) from Yamana from the production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina.

Subsequent to period end, the Company paid USD $150,000, in accordance with its option agreement on the Chinchillas Silver Project, located in Jujuy, Argentina.

Critical Accounting Estimates and Recent Accounting Pronouncements

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

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2012. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

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.

Share-based Payment Transactions

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

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

Exploration, Evaluation and Development Expenditures

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

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

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.

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.

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.

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.

Financial Instruments

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

(a) Fair Values

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

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

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Short-term investments	2,149,318	-	-	2,149,318
Marketable securities	40,423	-	-	40,423

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.

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

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, short term investments and amounts receivable. A portion of its receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. The majority of the remaining receivables are in the form of royalty receivable held with Yamana Gold Inc ("Yamana"). 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 Argentine Pesos 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 $52,272.

- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $17,883.

(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 approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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

(c) Capital Management

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

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

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

Risk Factors and Uncertainties

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

History of losses: The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2011 and 2010. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest risk: The Company's bank accounts do not earn interest income. Cash bears no interest and short-term investments are redeemable at any time without penalty. The fair value of cash and short-term investments approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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

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

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at June 30, 2012.

Additional Information

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at www.sedar.com.

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