Golden Arrow Resources Corporation

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Golden Arrow Resources Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Golden Arrow Resources Corporation and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

Golden Arrow Resources Corporation
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2018 $	December 31, 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		437,221	16,190,601
Investments	6	1,732	312,378
Amounts receivable	10	81,254	71,917
Prepaid expenses		223,849	89,354
Total current assets		744,056	16,664,250
Non-current assets			
Equipment		39,250	60,988
Investment in POI	4	48,833,847	33,702,015
Mineral property interests	5	669,678	555,609
Total non-current assets		49,542,775	34,318,612
Total Assets		50,286,831	50,982,862
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	300,416	312,089
Loans payable	8	451,627	-
Total current liabilities		752,043	312,089
Long term debt			
Credit facility	7	11,205,397	-
Total long term debt		11,205,397	-
EQUITY			
Share capital	9	34,847,881	33,346,977
Reserves	9	18,764,786	18,484,549
Subscriptions payable	9,10	250,000	-
Cumulative translation adjustment		1,078,960	(2,349,492)
(Deficit) retained earnings		(16,612,236)	1,188,739
Total equity		38,329,391	50,670,773
Total Equity and Liabilities		50,286,831	50,982,862

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS (Note 13)
SUBSEQUENT EVENTS (Note 18)

These consolidated financial statements are authorized for issue by the Board of Directors on April 29, 2019. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"David Terry" , Director

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

Golden Arrow Resources Corporation
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2018 $	2017 $
Expenses			
Administration and management services	10	442,725	655,200
Corporate development and investor relations		866,484	1,461,941
Depreciation		6,237	6,124
Exploration	5	3,643,841	2,540,451
Exploration and other costs recovery		-	(93,073)
Office and sundry	10	248,867	234,821
Professional fees		618,088	1,022,082
Rent, parking and storage		149,407	129,105
Salaries and employee benefits	10	952,325	1,785,992
Share-based compensation	10	760,760	1,399,201
Transfer agent and regulatory fees		40,530	26,249
Travel and accommodation		193,999	169,359
Loss from operating activities		(7,923,263)	(9,337,452)
After tax net (loss) income from POI	4	(8,089,968)	1,112,180
Foreign exchange (loss)		(650,492)	(645,189)
Gain on business combination	4	-	49,068,036
Gain on sale of marketable securities	6	-	162,115
Impairment of exploration and evaluation assets	5	(862,938)	-
Interest expense – SSR Credit Facility		(376,334)	-
Interest expense – Loans payable	8	(1,627)	-
Interest income		103,647	128,131
(Loss) income before tax for the year		(17,800,975)	40,487,821
Argentina tax expense	15	-	(764,501)
(Loss) income after tax for the year		(17,800,975)	39,723,320
Other comprehensive income			
Items that may be reclassified to profit or loss			
Unrealized (loss) gain on marketable securities	6	(70,490)	12,943
Unrealized gain (loss) on translation to reporting currency	4	3,428,452	(2,349,492)
Other comprehensive income (loss) for the year		3,357,962	(2,336,549)
Comprehensive (loss) income for the year		(14,443,013)	37,386,771
Basic earnings (loss) per common share ($)	11	(0.18)	0.41
Diluted earnings (loss) per common share ($)	11	(0.18)	0.37

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

Golden Arrow Resources Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2018 $	2017 $
Cash flows from operating activities		
(Loss) income for the year	(17,800,975)	39,723,320
Adjustments for:		
After tax net loss (income) from POI	8,089,968	(1,112,180)
Depreciation	6,237	6,124
Depreciation of property and equipment included in exploration expenses	17,478	27,891
Gain on business combination	-	(49,068,036)
Gain on sale of marketable securities	-	(162,115)
Impairment of exploration and evaluation assets	862,938	-
Share-based compensation	760,760	1,399,201
	(8,063,594)	(9,185,795)
Change in non-cash working capital items:		
(Increase) decrease in amounts receivable	(9,337)	5,769
Decrease in exploration funding receivable	-	1,022,853
(Increase) decrease in prepaid expenses	(134,495)	87,990
Increase in interest payable	248,311	-
(Decrease) in accounts payable and accrued liabilities	(11,673)	(890,360)
Net cash used in operating activities	(7,970,788)	(8,959,543)
Cash flows from investing activities		
Closing payment included in gain on business combination, net of tax	-	(69,863)
Expenditures on mineral property interests	(977,007)	(330,163)
Expenditures on equipment	(1,977)	(63,714)
Investments in POI	(19,793,348)	(2,956,091)
Pirquitas payment proceeds	-	17,810,756
Proceeds of marketable securities, net of transaction costs	240,156	464,533
Net cash (used) generated by investing activities	(20,532,176)	14,855,458
Cash flows from financing activities		
Subscription proceeds received	250,000	-
Credit Facility proceeds received	10,958,713	-
Loan proceeds received	450,000	-
Stock options exercised	-	281,049
Warrants exercised	1,090,871	1,281,476
Net cash generated by financing activities	12,749,584	1,562,525
Net (decrease) increase in cash and cash equivalents	(15,753,380)	7,458,440
Cash and cash equivalents at beginning of year	16,190,601	8,732,161
Cash and cash equivalents at end of year	437,221	16,190,601

SUPPLEMENTARY CASH FLOW INFORMATION (Note 14)

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

Golden Arrow Resources Corporation
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves							
	Number of shares	Amount $	Contributed surplus $	Equity settled share-based payments $	Warrants $	Accumulated other comprehensive income (loss) $	Cumulative translation adjustment $	Subscriptions payable $	Retained earnings (deficit) $	Total $
Balance at December 31, 2016	93,324,414	31,245,207	14,162,136	937,332	2,419,716	92,466	-	-	(38,534,581)	10,322,276
Share-based compensation	-	-	-	1,399,201	-	-	-	-	-	1,399,201
Stock options exercised	807,500	460,114	-	(179,065)	-	-	-	-	-	281,049
Stock options expired	-	-	128,915	(128,915)	-	-	-	-	-	-
Warrants exercised	4,261,220	1,641,656	-	-	(360,180)	-	-	-	-	1,281,476
Total comprehensive income (loss) for the year	-	-	-	-	-	12,943	(2,349,492)	-	39,723,320	37,386,771
Balance at December 31, 2017	98,393,134	33,346,977	14,291,051	2,028,553	2,059,536	105,409	(2,349,492)	-	1,188,739	50,670,773
Agent warrants expired	-	-	287,142	-	(287,142)	-	-	-	-	-
Share-based compensation	-	-	-	760,760	-	-	-	-	-	760,760
Stock options expired	-	-	96,653	(96,653)	-	-	-	-	-	-
Subscriptions payable	-	-	-	-	-	-	-	250,000	-	250,000
Warrants exercised	3,581,383	1,500,904	-	-	(410,033)	-	-	-	-	1,090,871
Warrants expired	-	-	35,019	-	(35,019)	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	(70,490)	3,428,452	-	(17,800,975)	(14,443,013)
Balance at December 31, 2018	101,974,517	34,847,881	14,709,865	2,692,660	1,327,342	34,919	1,078,960	250,000	(16,612,236)	38,329,391

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Golden Arrow Resources Corporation (the "Company" or "We") was incorporated on September 22, 2015, under the Business Corporations Act in the province of British Columbia. The address of the Company's registered office is Suite 312 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company was incorporated to facilitate the restructuring required to be able to carry out the transaction described in Note 3. On May 31, 2017, the then sole shareholder of the Company, Golden Arrow ("GAR"), closed the agreement entered into on September 30, 2015 with, among others, SSR Mining Inc. ("SSR"), forming a joint venture combining the Chinchillas project with the producing Pirquitas mine into a new operation, Puna Operations Inc. ("POI"). Upon closing of the agreement, the Company acquired a 25% interest in POI and in accordance with the terms of the plan of arrangement, each shareholder of GAR received one common share in the capital of the Company (a "New GAR Share") in exchange for each common share of GAR (the "GAR Shares") held. On May 31, 2017, the Company changed its name to Golden Arrow Resources Corporation (formerly 1049708 B.C. Ltd.), and began trading on the TSX-V under the symbol "GRG".

The Company is a natural resource company engaged in the acquisition, exploration and development of resource properties in South America. The Company's mineral property interests presently have no proven or probable reserves other than within the Investment in POI and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. The recoverability of amounts shown for mineral property interests are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production.

The Company has experienced recurring operating losses and has an accumulated deficit of $16,612,236 (Retained earnings of $1,188,739 as at December 31, 2017) and shareholders' equity of $38,329,391 (As at December 31, 2017 $50,670,773) as at December 31, 2018. In addition, the Company has negative working capital of $7,987 as at December 31, 2018 (Positive working capital of $ 16,352,161 as at December 31, 2017) and negative cash flow from operating activities of $7,970,788 (2017 $8,959,543). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors create material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and commitments and to attain profitable operations. Management's plan in this regard is to raise equity financing as required to further fund its share of planned capital expenditures for its investment in POI and working capital. Management's plan in this regard is to raise additional funding as required. There are no assurances that the Company will be successful in achieving these goals. These audited consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities and reported expenses that might be necessary should the Company be unable to continue as a going concern, which could be material.

These consolidated financial statements were approved by the Board of Directors of the Company on April 29, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Statement of compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the year ended December 31, 2018.

b) Basis of presentation

These consolidated financial statements have been prepared on a continuity of interest basis once the plan of arrangement referred to in Note 3 occurred. The plan of arrangement has been determined to be a capital reorganization and is excluded from the scope of IFRS 3 – Business Combinations.

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities, which are carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Changes in Accounting Standards

The Company has adopted the following accounting standards effective January 1, 2018:

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9") as of January 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Investments	Available for sale	FVOCI
Credit facility	Other financial liability	Amortized cost
Loans Payable	Other financial liability	Amortized cost
Accounts payable and accrued liabilities	Other financial liability	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor the opening balance of accumulated comprehensive income on January 1, 2018.

The adoption of the following accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 15 – *Revenue from Contracts with Customers*
Interpretations 22 – *Foreign Currency Transactions and Advance Considerations*

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

	Place of Incorporation	Principal Activity
IMPSA Resources Corporation	BC, Canada	Holding company
New Golden Explorations Inc.	BC, Canada	Holding company
New Golden Explorations Atlantida Ltd.	BC, Canada	Holding company
New Golden Explorations Indiana Ltd.	BC, Canada	Holding company
New Golden Explorations Indiana Chile SpA	Chile	Exploration company
New Golden Explorations Chile SpA	Chile	Exploration company
Lucca Sociedad Anonima S.A.	South America	Exploration company
Desarrollo de Recursos S.A.	Argentina	Exploration company

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Subsidiaries

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

(ii) Investments in joint venture

Investments in joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss of the equity accounted for investees until the date on which significant influence or joint control ceases. At each period end, the carrying amount of equity-accounted investments is assessed for impairment. An impairment loss is recognized for the amount that which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less cost of disposal and value in use.

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. The functional currency of POI is considered to be the United States dollar. At the end of each reporting period, the Company translates POI's operating results using the average exchange rate for period.

Property and Equipment

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

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or share consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

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

Impairment

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained by the sale of the asset in any arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated cash flows expected to arise from the continued use of the asset, including an expansion projects. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is assessed at the level of (cash-generating units or "CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

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. In event of modification in warrants issued as private placement units, no re-measurement adjustment is recognised within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Earnings and Loss per Share

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

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 recognized 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 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

These consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Critical accounting estimates

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

(ii) Critical accounting judgments

- Presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

- 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.

- The Company accounts for its investment in joint venture on an equity method basis and, at each period end, management is required to make an assessment as to whether there are indicators of impairment that would require the Company to test the investment for impairment. If indicators of impairment exist, the Company would be required to determine the net recoverable amount which is based on expected cash flows to be earned from the investment or fair value of the investment less cost to sell. Management has determined that there were no indicators of impairment as at December 31, 2018.

- The initial recognition of the fair value of the Company's investment in joint venture upon completion of the Plan of Arrangement described in Note 3 has been identified as an accounting policy which involves judgments or assessments made by management. We have accounted for this transaction as a disposition of subsidiaries in exchange for an investment in a joint venture. The fair value of our Investment in POI has been measured using a discounted cash flow model based on our best estimate of what inputs a market participant would consider appropriate. Key assumptions included commodity prices, reserves and resources, operating and capital costs and discount, foreign exchange and inflation rates. A change to these inputs would alter the value of our Investment in POI and the gain that we have recognized on close of this transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Management is required to assess impairment in respect to the Company's mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. Management has determined that there were indicators of impairment as at December 31, 2018 and has impaired $862,938 in exploration and evaluation assets. Refer to Note 5 for further information.

- The determination of our tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, we interpret tax legislation in a variety of jurisdictions and make estimates of the expected timing of the reversal of deferred tax assets and liabilities. We also make estimates of future earnings which affect the extent to which potential future tax benefits may be used. We are subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. We provide for such differences where known based on our best estimate of the probable outcome of these matters.

e) New Accounting Standards and Interpretations

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

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements. The Company's current operating lease commitments are disclosed in Note 13.

3. PLAN OF ARRANGEMENT

Under the terms of the Agreement, POI acquired from SSR all of the issued and outstanding securities of MP LLC which indirectly holds title to the Pirquitas mine (also located in the Jujuy province of Argentina), with the effect that upon completion of the Arrangement, the then existing shareholders of GAR, as holders of the Company's shares, have exposure through the Company's 25% interest in POI to SSR's Pirquitas mine and Golden Arrow's Chinchillas property.

(Expressed in Canadian Dollars Unless Otherwise Noted)

3. PLAN OF ARRANGEMENT (continued)

In consideration for granting SSR the rights to conduct an 18-month period (June 2017 – December 2018) of pre-development activities at Chinchillas ("the Preliminary Period"), SSR paid GAR $2,000,000 on completion of certain milestones as detailed below:

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

All of the payments were received by GAR during the Preliminary Period.

Upon vesting by SSR, the Agreement specified that an amount equal to 25% of the Pirquitas mine's cash equivalent earnings, if any, during the Preliminary Period, less certain expenditures for exploration (including pre-development expenditures), capital investment and closure costs as based on a pre-defined formula (the "Pirquitas Payment"), was payable on closing of the transaction.

On May 31, 2017, the Company closed the transaction as outlined above. Upon closing of the transaction, the Company received $17.8 million for the Pirquitas Payment for the period October 1, 2015 until May 31, 2017.

The total purchase price was allocated to the carrying value of the net assets disposed of pursuant to the plan of arrangement. The Company recognized a gain upon business transaction of its investment in POI as follows:

		May 31, 2017
Pirquitas payment	$	17,810,756
Fair value of investment in POI		31,983,236
Total Consideration received	$	49,793,992
Assets		
Cash		56,328
Amounts receivable		67,660
Prepaid expenses		3,951
Mineral property interest		655,236
Total Assets	$	783,175
Liabilities		
Accounts payable and accrued liabilities		57,219
Total Liabilities	$	57,219
Carrying value of net assets		725,956
Gain on business transaction	$	49,068,036

(Expressed in Canadian Dollars Unless Otherwise Noted)

4. INVESTMENT IN PUNA OPERATIONS JOINT VENTURE

On March 31, 2017, SSR exercised its option on the Chinchillas project and on May 31, 2017, SSR and the Company formed POI for the development of the property. The jointly owned company, holding the Pirquitas and Chinchillas properties is owned 75% by SSR and 25% by the Company with SSR as the operator. The Company is liable for contribution of 25% of the required funding for capital expenditures and working capital purposes of POI when requested by SSR.

The following is the summarized financial information for POI as at May 31, 2017:

		May 31, 2017
Current assets	$	97,728,114
Non-current assets		155,285,282
Current liabilities		(39,895,147)
Non-current liabilities		(85,185,303)
Net assets	$	127,932,946

The Company accounts for its interest in POI using the equity method. At May 31, 2017, the Company recognized an investment in POI of $31,983,236 representing the fair value of the Company's 25% interest.

The following table summarizes the change in investment in POI for the twelve months ended December 31, 2018 and seven-month period ended December 31, 2017:

Balance, May 31, 2017	$	31,983,236
Equity contributions to POI		2,956,091
Company's share of comprehensive income of POI, net of tax		1,112,180
Subtotal		36,051,507
Translation adjustment		(2,349,492)
Balance, December 31, 2017	$	33,702,015
Equity contributions to POI		19,793,348
Company's share of comprehensive loss of POI, net of tax		(8,089,968)
Subtotal		45,405,395
Translation adjustment		3,428,452
Balance, December 31, 2018	$	48,833,847

The following is the summarized financial information for POI as at December 31, 2018 and December 31, 2017. The information disclosed reflects the amounts presented in the financial information of POI and not the Company's share of those amounts:

		December 31, 2018		December 31, 2017
Current assets	$	86,231,487	$	94,647,692
Non-current assets		203,416,803		142,445,529
Current liabilities		(40,907,398)		(28,942,036)
Non-current liabilities		(53,405,504)		(73,343,123)
Net assets	$	195,335,388	$	134,808,062
Revenue for the period		67,777,943		64,208,652
Operating (loss) income for the period		(11,524,126)		12,772,245
Comprehensive (loss) income for the period	$	(32,359,869)	$	4,448,720

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2018:

Acquisition Costs

	Argentina				Chile			
	Antofalla $	**La Rioja $**	**Caballos $**	**Pescado $**	**Atlantida $**	**Indiana $**	**Other $**	**Total $**
Balance – December 31, 2017	265,442	40,334	65,124	49,009	-	-	135,700	555,609
Additions								
Staking costs, land payments and acquisition costs	282,972	3,476	9,718	1,201	534,341	128,098	17,201	977,007
Impairment of exploration and evaluation assets	(548,414)	(43,809)	(74,841)	(50,209)	-	-	(145,665)	(862,938)
Balance – December 31, 2018	-	1	1	1	534,341	128,098	7,236	669,678

Exploration Expenditures

	Argentina				Chile			
	Antofalla $	**La Rioja $**	**Caballos $**	**Pescado $**	**Atlantida $**	**Indiana $**	**Other $**	**Total $**
Cumulative exploration expenses December 31, 2017	1,534,399	1,612,637	328,178	1,120,172	-	-	1,212,924	5,808,310
Expenditures during the year								
Assays	82,473	-	-	31,123	-	-	-	113,596
Drilling	801,843	-	-	-	-	-	-	801,843
Environmental reports	17,748	-	-	908	-	-	1,852	20,508
Office	261,053	-	-	26,104	280	12,650	-	300,087
Property maintenance payments	9,444	-	-	1,051	-	-	46	10,541
Salaries and contractors	568,141	-	-	76,226	34,065	26,902	23,972	729,306
Social and community	63,818	-	-	-	-	-	-	63,818
Supplies and equipment	761,231	-	-	32,130	-	-	7,922	801,283
Transportation	320,609	-	-	10,350	2,183	8,285	5,443	346,870
Value added taxes	422,837	464	1,296	23,863	-	-	7,529	455,989
	3,309,197	464	1,296	201,755	36,528	47,837	46,764	3,643,841
Cumulative exploration expenses December 31, 2018	4,843,596	1,613,101	329,474	1,321,927	36,528	47,837	1,259,688	9,452,151

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company was continuing to explore as at December 31, 2017:

Acquisition Costs

	Argentina						
	Antofalla $	**La Rioja $**	**Caballos $**	**Chinchillas $**	**Pescado $**	**Other $**	**Total $**
Balance – December 31, 2016	86,083	29,239	49,616	575,729	39,291	100,725	880,683
Additions							
Staking costs, land payments and acquisition costs	179,359	11,095	15,508	79,507	9,718	34,975	330,162
Disposal of mineral property interests	-	-	-	(655,236)	-	-	(655,236)
Balance – December 31, 2017	265,442	40,334	65,124	-	49,009	135,700	555,609

Exploration Expenditures

	Argentina						
	Antofalla $	**La Rioja $**	**Chinchillas $**	**Caballos $**	**Pescado $**	**Other $**	**Total $**
Cumulative exploration expenses December 31, 2016	64,951	1,611,471	31,035,092	326,549	846,944	1,196,744	35,081,751
Expenditures during the year							
Assays	53,474	-	-	-	7,725	-	61,199
Environmental reports	17,710	-	-	-	1,140	3,958	22,808
Geophysics and metallurgy	72,398	-	-	-	-	-	72,398
Office	192,120	-	137,079	-	17,741	-	346,940
Property maintenance payments	513	-	9,533	-	835	267	11,148
Resource model and project development	-	-	1,800	-	-	-	1,800
Salaries and contractors	587,198	-	495,485	-	140,527	7,092	1,230,302
Social and community	42,038	-	11,042	-	(1,466)	-	51,614
Supplies and equipment	205,785	-	25,647	-	65,496	-	296,928
Transportation	141,473	-	16,621	-	14,333	-	172,427
Value added taxes	156,739	1,166	81,593	1,629	26,897	4,863	272,887
	1,469,448	1,166	778,800	1,629	273,228	16,180	2,540,451
Cumulative exploration expenses December 31, 2017	1,534,399	1,612,637	31,813,892	328,178	1,120,172	1,212,924	37,622,202

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

(a) Atlantida Project, Chile

The Company entered into option agreements to acquire up to 100% of the Atlantida copper-gold project in Chile. The Atlantida Project includes two separate land packages that the Company has consolidated into a single project through the signing of two definitive agreements. The first agreement includes a 48 month earn-in with total payments of US$4,000,000. There is a 2% Net Smelter Royalty ("NSR") payable with 50% available for repurchase under certain terms.

Option Payment USD $	Year
200,000 (paid)	2018
400,000	2019
650,000	2020
1,100,000	2021
1,650,000	2022
4,000,000	

The second agreement includes a 24 month earn-in period with total payments of US$2,000,000 and a 1% NSR that can be repurchased under certain terms.

Option Payment USD $	Year
250,000 (paid)	2018
100,000	2019
150,000	2020
1,500,000	2020
2,000,000	

(b) Indiana Project, Chile

The Company executed a definitive agreement with Mineria Activa SpA. ("MSA") to acquire up to 100% of the Indiana gold-copper project in Chile. Terms include cash payments of US$100,000 payment on signing, followed by US$15,000,000 in payments staged over 48 months. Prior to Golden Arrow making the last payment of $7,000,000 at the end of year 4, MSA has the option of retaining 25% of the Project, which will then move forward on a pro-rata basis.

Option Payment USD $	Year
100,000 (paid)	2018
70,000(1)	2019
1,000,000	2019
2,000,000	2020
5,000,000	2021
7,000,000	2022
15,170,000	

(1) Refer to Note 18 for further information

(c) Antofalla, Catamarca, Argentina

The Company entered into an option agreement to acquire a 100% interest in the Antofalla project in Catamarca Province, Argentina. The terms of the option agreement include staged payments over five years totaling US$1,500,000 for a 100% interest in the property. The vendor retains a 1% net smelter royalty.

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. MINERAL PROPERTY INTERESTS (continued)

Option Payment USD $	Year
100,000 (paid)	2017
200,000 (paid)	2018
350,000	2019
400,000	2020
450,000	2021
1,500,000	

During the year ended December 31, 2018, the Company determined that it would not be exploring the Antofalla property further based on exploration work done to the end of the period, and impaired $548,414 in acquisition costs.

(d) Varitas, La Rioja, Argentina

The Company owns a 100% interest in the Varitas property in southern La Rioja Province, Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Varitas property further, and impaired $43,809 in acquisition costs.

(e) Mogote and Purulla Properties, Argentina

The Company owns a 100% interests in the Mogote and Purulla properties in Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Mogote and Purulla properties further, and impaired $145,665 in acquisition costs.

(f) Caballos, La Rioja, Argentina

The Company owns a 100% interest in the Caballos property in western La Rioja Province, Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Caballos property further, and impaired $74,841 in acquisition costs.

(g) Pescado, San Juan, Argentina

The Company owns a 100% interest in the Pescado Gold Project in San Juan Province, Argentina. During the year ended December 31, 2018, the Company determined that it would not be exploring the Pescado property further, and impaired $50,209 in acquisition costs.

(h) Option Agreement

During the year ended December 31, 2018, the Company entered into an option agreement (the "Option Agreement") for rights to explore 100% of a proposed property (the "Property") in another South American country. The terms of the option agreement include staged payments over six years totaling US$2,000,000 and an additional payment of US$2,000,000 thirty (30) working days following the date of commencement of commercial production on the Property, for a 100% interest in the Property. Under the Option Agreement, the Company filed its own mining permit application in respect of the Property with applicable governmental regulatory authorities. The final mining permit is subject to government regulatory approvals which are still pending, and until granted, the Property does not exist under the laws of the South American country.

(Expressed in Canadian Dollars Unless Otherwise Noted)

6. INVESTMENTS

At December 31, 2018, the Company held the following:

	Quantity	Fair Value
Argentina Lithium & Energy Corp. common shares ("Argentina Lithium")	19,249	$1,732
		$1,732

At December 31, 2017, the Company held the following:

	Quantity	Fair Value
Argentina Lithium & Energy Corp. common shares ("Argentina Lithium")	76,996	$26,178
Pretium Resources Inc. common shares ("Pretium")	20,000	$286,200
		$312,378

The Company has elected to classify its marketable securities in Argentina Lithium and Pretium as FVOCI and accordingly, changes in fair value are recorded in other comprehensive income in the period in which they occur. An unrealized loss of $119,846 was recorded for the year ended December 31, 2018 (Year ended December 31, 2017 – unrealized gain of $12,943). A realized gain of $49,356 was recorded for the year ended December 31, 2018 (Year ended December 31, 2017 - $Nil).

7. CREDIT FACILITY

On July 6, 2018, the Company entered into a credit facility agreement with SSR for a non-revolving term loan in an aggregate principal amount equal to US$10,000,000. The loan matures on July 22, 2020. Refer to Note 17 for credit facility agreement covenants.

The proceeds borrowed under the credit facility are required to be used by the Company to fund its contributions under the shareholders' agreement the Company entered into with SSR on May 31, 2017, as the sole shareholders of POI. The loan is secured by the Company's ownership and equity interests in POI.

The credit facility bears interest (computed on the basis of the actual number of days elapsed over a year of 365 days and compounded monthly) at a rate per annum equal to 10% plus the US Base Rate, defined as, the greatest of: (i) the rate of interest per annum calculated on the basis of 365 day year, established by Canadian banks from time to time as a reference rate for the determination of interest rates that such Canadian banks charge to customers of varying degrees of creditworthiness for US dollar loans made by them in Canada; (ii) the Federal Funds Rate for such day or, if such day is not a Business Day, on the immediately preceding Business Day, plus 1.00% per annum; and (iii) LIBOR rate for a period of 1 month on such day (or, in respect of any day that is not a Business Day, such Libor in effect on the immediately preceding Banking Day) plus 1.00% per annum. Interest on the loan shall accrue from and including the date of each borrowing under the credit facility, compounded monthly, and shall be capitalized and payable on the maturity date.

As at December 31, 2018, the Company has drawn USD$8,033,069 (CAD $10,958,712) of the credit facility, and accrued USD$180,827 (CAD $246,684) interest due on maturity. Interest has been calculated using the US base rate of 5.75%, established by Canadian banks for US dollar loans made by the banks in Canada, plus 10%.

(Expressed in Canadian Dollars Unless Otherwise Noted)

7. CREDIT FACILITY (continued)

	December 31, 2018			
Balance – January 1, 2018	CAD	$ -	USD	$ -
Drawdowns		10,958,712		8,033,069
Interest accrued in period		246,684		180,827
Interest paid in period		-		-
Balance – December 31, 2018	CAD	$11,205,396	USD	$8,213,896

8. LOANS PAYABLE

At December 31, 2018, the Company had the following loans payable:

	December 31, 2018		
	Maturity	Currency	Amount
Unsecured, 12% annual interest rate (1)	On demand	Canadian dollar	$300,000
Unsecured, 12% annual interest rate (2)	On demand	Canadian dollar	$150,000
			$450,000

(1) $300,000 Unsecured, 12% annual interest rate & finance expense

On December 20, 2018, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is $300,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. As at December 31, 2018, there was $1,085 interest accrued and payable.

(2) $150,000 Unsecured, 12% annual interest rate & finance expense

On December 20, 2018, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is $150,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. As at December 31, 2018, there was $542 interest accrued and payable.

9. CAPITAL AND RESERVES

Authorized Share Capital

At December 31, 2018, 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.

Details of Issues of Common Shares in 2018

3,581,383 warrants were exercised during the year ended December 31, 2018.

4,509,996 warrants that set to expire on January 28, 2018 were extended to January 28, 2019 during the year ended December 31, 2018. These warrants were originally issued on July 26, 2016 as part of the units issued under a private placement completed by the Company on July 2016 and are also subject to an accelerator. The exercise price of the warrants remains at $1.00.

(Expressed in Canadian Dollars Unless Otherwise Noted)

9. CAPITAL AND RESERVES (continued)

As at December 31, 2018, there were $250,000 (2017 - $Nil) in share subscriptions received, but the shares had not yet been issued. Refer to Note 18 for further information.

Details of Issues of Common Shares in 2017

On May 31, 2017, the Company issued 98,106,935 common shares in accordance with the terms of the plan of arrangement referred to in Note 3, whereby each shareholder of GAR received one common share in the capital of the Company (a "New GAR Share") in exchange for each common share of GAR (the "GAR Shares") held.

4,261,220 warrants and 807,500 stock options were exercised during the year ended December 31, 2017.

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on a fixed number of eligible shares equaling 20% of the Company's outstanding common shares calculated at June 25, 2013, totaling a maximum of 8,364,371 share purchase options. On January 9, 2018, the Stock Option Plan was amended allowing for a maximum total share purchase options of 9,740,920.

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

The continuity of share purchase options for the year ended December 31, 2018 is as follows:

Expiry date	Exercise Price	December 31, 2017	Granted	Exercised	Expired	December 31, 2018	Options exercisable
May 9, 2018	$0.51	35,000	-	-	(35,000)	-	-
May 12, 2018	$0.68	150,000	-	-	(150,000)	-	-
March 25, 2019(1)	$0.35	725,000	-	-	-	725,000	725,000
April 16, 2019(2)	$0.35	55,000	-	-	-	55,000	55,000
June 11, 2020	$0.35	1,270,000	-	-	-	1,270,000	1,270,000
April 19, 2021	$0.32	1,005,000	-	-	-	1,005,000	1,005,000
April 27, 2021	$0.42	395,000	-	-	-	395,000	395,000
May 29, 2021	$0.62	15,000	-	-	-	15,000	15,000
June 22, 2022	$0.62	3,490,000	-	-	-	3,490,000	3,490,000
January 9, 2023	$0.70	-	2,045,000	-	-	2,045,000	2,045,000
		7,140,000	2,045,000	-	(185,000)	9,000,000	9,000,000
Weighted average exercise price $		0.49	0.70	-	0.65	0.53	0.53
Weighted average contractual remaining life (years)		3.42	4.03	-	-	2.85	2.85

(1) 725,000 stock options with an exercise price of $0.35 per stock option expired on March 25, 2019.
(2) 55,000 stock options with an exercise price of $0.35 per stock option expired on April 16, 2019.

(Expressed in Canadian Dollars Unless Otherwise Noted)

9. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the year ended December 31, 2017 is as follows:

Expiry date	Exercise Price	December 31, 2016	Granted	Exercised	Cancelled/ Expired	December 31, 2017	Options exercisable
June 24, 2017	$0.30	50,000	-	-	(50,000)	-	-
November 29, 2017	$0.31	50,000	-	(50,000)	-	-	-
April 19, 2018	$0.32	87,500		(87,500)	-	-	-
May 9, 2018	$0.51	35,000	-	-	-	35,000	35,000
May 12, 2018	$0.68	150,000	-	-	-	150,000	150,000
March 25, 2019	$0.35	955,000	-	(230,000)	-	725,000	725,000
April 16, 2019	$0.35	55,000	-	-	-	55,000	55,000
March 9, 2020	$0.66	-	250,000	-	(250,000)	-	-
June 11, 2020	$0.35	1,545,000	-	(275,000)	-	1,270,000	1,270,000
April 19, 2021	$0.32	1,095,000	-	(90,000)	-	1,005,000	1,005,000
April 27, 2021	$0.42	470,000	-	(75,000)	-	395,000	395,000
May 29, 2021	$0.62	15,000	-	-	-	15,000	15,000
June 22, 2022	$0.62	-	3,570,000	-	(80,000)	3,490,000	3,490,000
		4,507,500	3,820,000	(807,500)	(380,000)	7,140,000	7,140,000
Weighted average exercise price $		0.36	0.62	0.35	0.56	0.49	0.49
Weighted average contractual remaining life (years)		3.29	4.32	-	-	3.42	3.42

The weighted average fair value of share purchase options exercised during the year ended December 31, 2018 is $Nil (2017 - $0.65). The weighted average fair value of share purchase options granted during the year ended December 31, 2018 is $0.37 (2017 - $0.37).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31, 2018	Year ended December 31, 2017
Risk-free interest rate	1.94%	1.05%
Expected option life in years	3.1	3.1
Expected share price volatility	88%	93%
Grant date share price	$0.66	$0.61
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

(Expressed in Canadian Dollars Unless Otherwise Noted)

9. CAPITAL AND RESERVES (continued)

Warrants

The continuity of warrants for year ended December 31, 2018 is as follows:

Expiry date	Exercise Price	December 31, 2017	Issued	Exercised	Expired/ Forfeited	December 31, 2018
May 15, 2018	$0.30	3,306,363	-	(3,032,863)	(273,500)	-
May 15, 2018	$0.33	600,520	-	(548,520)	(52,000)	-
January 28, 2019[(1)]	$1.00	4,988,175	-	-	(478,179)	4,509,996
		8,895,058	-	(3,581,383)	(803,679)	4,509,996
Weighted average exercise price $		0.69	-	0.30	0.72	1.00

(1) 4,509,996 warrants with an exercise price of $1.00 per warrant expired on January 28, 2019.

The continuity of warrants for the year ended December 31, 2017 is as follows:

Expiry date	Exercise Price	December 31, 2016	Issued	Exercised	Expired/ Forfeited	December 31, 2017
February 16, 2017	$0.30	2,918,000	-	(2,918,000)	-	-
January 28, 2019	$1.00	4,988,175	-	-	-	4,988,175
May 15, 2018	$0.30	4,545,883	-	(1,239,520)	-	3,306,363
May 15, 2018	$0.33	704,220	-	(103,700)	-	600,520
		13,156,278	-	(4,261,220)	-	8,895,058
Weighted average exercise price $		0.57	-	0.30	-	0.69

10. RELATED PARTY BALANCES AND TRANSACTIONS

On June 1, 2017, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group to provide services and facilities to the Company. Grosso Group is a private company that is owned by an officer and director of the Company and also has another director in common with the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. This fee is reviewed and adjusted quarterly based on the level of services required.

The Agreement 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.

(Expressed in Canadian Dollars Unless Otherwise Noted)

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Year ended December 31,	
	2018	2017
Transactions	$	$
Services rendered:		
Grosso Group Management Ltd.		
Administration and management services	387,400	636,000
Office & sundry	117,300	116,600
Total for services rendered	504,700	752,600

Key management personnel compensation

Key management personnel of the company are members of the Board of Directors, as well as the Executive Chairman, President and CEO, CFO, Vice President of Corporate Development and Corporate Secretary.

		Year ended December 31,	
		2018	2017
Transactions	**Position**	$	$
Consulting, salaries, and professional fees:			
Joseph Grosso	Chairman/President/CEO	275,000	575,000
Darren Urquhart	CFO	60,000	130,000
Nikolaos Cacos	Director/VP – Corp.	120,000	410,000
Connie Norman	Corporate Secretary	82,000	24,000
Louis Salley	Director	27,961	12,000
David Terry	Director	55,325	19,200
John Gammon	Director	16,000	12,000
Taylor Thoen	Director	-	21,300
Alfred Hills	Director	82,525	25,550
Total for services rendered		718,811	1,229,050

		Year ended December 31,	
		2018	2017
Transactions	**Position**	$	$
Share-based compensation:			
Joseph Grosso	Chairman/President/CEO	111,603	290,945
Darren Urquhart	CFO	18,600	27,276
Nikolaos Cacos	Director/VP – Corp.	37,201	145,473
Connie Norman	Corporate Secretary	27,901	-
Louis Salley	Director	55,801	72,736
David Terry	Director	27,901	36,368
John Gammon	Director	27,901	36,368
Alfred Hills	Director	93,002	-
Taylor Thoen	Director	-	18,184
Total share-based compensation		399,910	627,350

(Expressed in Canadian Dollars Unless Otherwise Noted)

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at December 31, 2018, there were $47,360 (2017 – $36,610) of costs owed from related corporations for shared services paid by the Company.

During the year ended December 31, 2018, the Company received $250,000 subscriptions payable from a related party. Refer to Note 18 Subsequent Events for further information.

11. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic loss per share for the year ended December 31, 2018 and 2017 was based on the following:

	Year ended December 31,	
	2018	2017
(Loss) earnings attributable to common shareholders ($)	(17,800,975)	39,723,320
Weighted average number of common shares outstanding	100,726,127	97,498,962

The calculation of diluted earnings per share for the year ended December 31, 2018 and 2017 was based on the following:

	Year ended December 31,	
	2018	2017
(Loss) earnings attributable to common shareholders ($)	(17,800,975)	39,723,320
Weighted average number of common shares outstanding	100,726,127	106,836,834

The Company incurred a loss attributable to common shareholders for the year ended December 31, 2018, therefore no dilution occurred. During the year ended December 31, 2017, diluted earnings per share did not include the effect of 7,140,000 share purchase options and 8,895,058 common share purchase warrants as they are not anti-dilutive.

12. SEGMENTED INFORMATION

The Company's operations are limited to a single reportable segment, being mineral exploration and development. The Company's total non-current assets are segmented geographically as follows:

	December 31, 2018		
	Argentina $	Chile $	Total $
Equipment ($)	39,250	-	39,250
Investment in Puna Operations Inc. ($)	48,833,847	-	48,833,847
Mineral property interests ($)	7,239	662,439	669,678
	48,880,336	662,439	49,542,775

(Expressed in Canadian Dollars Unless Otherwise Noted)

12. SEGMENTED INFORMATION (continued)

	December 31, 2017	
	Argentina $	Total $
Equipment ($)	60,988	60,988
Investment in Puna Operations Inc. ($)	33,702,015	33,702,015
Mineral property interests ($)	555,609	555,609
	34,318,612	34,318,612

13. COMMITMENTS

	Year 1 $	Year 2 $	Year 3 $	Year 4-5 $
Management Services Agreement (i)	470,400	470,400	-	-
Office Leases (ii)	168,627	105,128	105,128	8,761

(i) Management Services Agreement

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 $39,200 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The agreement expires on December 31, 2018 and is automatically renewed for additional terms of two years unless otherwise terminated pursuant to the terms of the agreement.

(ii) Office Leases

The Company entered into office lease agreements for terms of two and three years. The Company has the option to renew the leases at the time of expiry for additional terms of three and four years.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2018 $	2017 $
Non-cash investing and financing activities:		
Agents' warrants expired	287,142	-
Stock options exercised	-	179,065
Stock options expired	96,653	128,915
Warrants expired	35,019	-
Warrants exercised	410,033	360,180

(Expressed in Canadian Dollars Unless Otherwise Noted)

15. INCOME TAXES

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

	2018	**2017**
Statutory tax rate	27.00%	26.00%
	$	**$**
Income (loss) before income taxes	(17,800,975)	39,723,320
Income tax expense (recovery) at Canadian statutory rates	(4,806,263)	10,328,063
Non-deductible differences and others	178,070	(7,776,277)
Difference between Canadian and foreign tax rates	1,614,555	(93,914)
Tax losses utilized	-	(4,630,797)
Unrecognized deferred tax assets	3,013,638	1,408,423
Argentina tax expense	-	764,501
Income tax recovery	-	-

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

	2018	**2017**
	$	**$**
Deferred income tax assets		
Financing costs	97,307	97,307
Non-capital tax loss carry forwards	3,164,087	1,823,669
Resource deductions	645,690	793,410
Capital assets	630,739	39,661
Marketable securities	78	139,010
	4,537,901	2,893,057
Deferred income tax liabilities		
Investment in POI	(1,449,234)	-
Unrecognized deferred income tax assets	(3,088,667)	(2,893,057)
	-	-

The Company has Canadian non-capital loss carryforwards of $7,282,565 (2017 - $6,503,122) that may be available for tax purposes. The Company's non-capital losses expire in 2037 to 2038.

At December 31, 2018, the Company had a net operating loss carryforward for Argentina income tax purposes of approximately $Nil (2017 - $Nil).

During the year ended December 31, 2018, the Company paid $Nil (2017 – $764,501) in Argentina tax in connection with the $2,000,000 in milestone payments paid to the Company by SSR Mining Inc. during the 18-month period of predevelopment activities at Chinchillas.

In 2017, changes in future tax rates were considered to be enacted for British Columbia and Argentina. This has resulted in a Canadian statutory tax rate increase to 27% and decrease in Argentina to 25% which has been incorporated into our deferred tax calculation as at December 31, 2017.

(Expressed in Canadian Dollars Unless Otherwise Noted)

16. FINANCIAL INSTRUMENTS

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

(a) Fair Values

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

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).

The Company's financial assets consist of cash and cash equivalents, amounts receivable and investments. Investments are carried at fair value and measured as per Level 1 hierarchy. Fair value is determined using closing prices at the balance sheet date with any gains or losses recognized in other comprehensive income. The carrying values of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of borrowings is not materially different to their carrying amounts, since the interest payable on borrowings is close to current market rates.

An analysis of investments including related gains and losses during the year is as follows:

	Year ended December 31,	
	2018 $	2017 $
Investments, beginning of year	312,378	601,853
Disposition of marketable securities	(240,156)	(464,533)
Realized gain on marketable securities	-	162,115
Realized gain included in other comprehensive income	49,356	-
Unrealized (loss) gain included in other comprehensive income	(119,846)	12,943
Investments, end of year	1,732	312,378

(Expressed in Canadian Dollars Unless Otherwise Noted)

16. FINANCIAL INSTRUMENTS (continued)

(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.

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

Liquidity risk

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

	1 Year $	More than 2 Years $
Accounts payable and accrued liabilities	300,416	-
Loans payable	450,000	-
Interest payable – loans	1,627	-
Credit facility	-	10,958,712
Interest payable – credit facility	-	246,684

Market risk

(i) Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include cash accounts, amounts receivable and accounts payable in: US dollars and Argentine Pesos. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar and between the Canadian dollar and the Argentine Peso at December 31, 2018 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 $1,091,000.

- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $400.

16. FINANCIAL INSTRUMENTS (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, with interest paid from the date of purchase. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Other current financial assets and liabilities are not exposed to interest rate risk except for credit facility which is impacted by variable market rate interest. 1% change in annualised in annualised interest rate would impact net loss by approximately $12,000.

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard our ability to continue as a going concern in order to develop and operate our current projects
- Pursue strategic growth initiatives; and
- To maintain a flexible capital structure which lowers the cost of capital.

In assessing our capital structure, we include in our assessment the components of shareholders' equity and loans. In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets and continuously monitor and review actual and forecasted cash flows. The annual and updated budgets are monitored and approved by the Board of Directors. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. The Company's current capital resources are insufficient to carry out our exploration plans and support operations through the current operating period. The Company is dependent upon the ability to raise additional funding to meet its obligations and commitments. As of December 31, 2018, The Company was in compliance with the Credit Facility Financial Covenants.

Financial Covenants

In connection with the Credit Facility, the Company must also maintain exploration investment expenditures no greater than USD$1,000,000. As at December 31, 2018 we were in compliance with these covenants. The Company will monitor these expenditures on an ongoing basis and make necessary operational adjustments to comply with this Credit Facility covenant.

18. Subsequent Events

Credit Facility

- On January 15, 2019, the Company borrowed US$673,216 in accordance with the terms of the credit facility agreement described in Note 7 to fund its contribution to POI.
- On February 7, 2019, the Company borrowed US$1,293,715 in accordance with the terms of the credit facility agreement described in Note 7 to fund its contribution to POI. As at February 7, 2019, the Company has fully utilized the credit facility for US$10,000,000.

18. Subsequent Events (continued)

Loans Payable

- On February 27, 2019, the Company paid in full principal of $450,000 and interest accrued of $10,208 for the arm's length loans.

Management Services Agreement

- On January 1, 2019 the Company renewed its management services agreement with Grosso Group, with a current monthly fee of $39,200 paid to Grosso Group for staffing and overhead. The agreement expires December 31, 2020 and will be automatically renewed for an additional two years unless otherwise terminated pursuant to the terms of the agreement.

Option Payment Indiana Project

- The Company paid USD$70,000 option payment for the Indiana Project option agreement.

POI Contribution

- On March 8, 2019, the Company paid USD$1,742,818 to fund its contribution to POI.

Private Placement

- On February 25, 2019, the Company completed the first tranche of the non-brokered private placement announced February 12, 2019 consisting of 11,051,611 units in this tranche. Each unit will consist of one common share and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company at $0.40 per share for two years from the date of issue. Finders' fees were payable $46,989 cash and 156,631 non-transferable warrants exercisable into common shares at $0.40 for two years from the date of issue. Included in this tranche were $250,000 of subscription proceeds that were received prior to December 31, 2018.
- On March 5, 2019, the Company completed the second tranche of the non-brokered private placement announced February 12, 2019 consisting of 1,290,367 units in this tranche. Each unit will consist of one common share and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company at $0.40 per share for two years from the date of issue. Finders' fees were payable $6,450 cash and 17,502 non-transferable warrants exercisable into common shares at $0.40 for two years from the date of issue.
- On March 21, 2019, the Company completed the third and final tranche of the non-brokered private placement announced February 12, 2019 consisting of 3,462,034 units in this tranche. Each unit will consist of one common share and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the capital of the Company at $0.40 per share for two years from the date of issue. Finders' fees were payable $6,651 cash and 22,169 non-transferable warrants exercisable into common shares at $0.40 for two years from date of issue.
- The Company raised a total of 15,804,012 units at a price of $0.30 per unit for gross proceeds of $4,741,204.