

# Golden Arrow Resources Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

### **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 ("the Company") for the six months ended June 30, 2018 and 2017 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, 2018.

### **Company Overview**

Golden Arrow Resources Corporation (the "Company") 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 is listed on the TSX Venture Exchange, trading under the symbol "GRG", the OTCQX, trading under the symbol "GARWF", and the Frankfurt Stock Exchange, trading under the symbol "G6A".

The Company is a natural resource company engaged in the acquisition, exploration and development of resource properties in Argentina. The Company is 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. As of the date of this report, the Company has not earned revenues and is considered to be in the exploration stage.

### **Basis of presentation**

This MD&A has been prepared on a continuity of interest basis once the plan of arrangement referred to in Note 3 of the condensed consolidated interim financial statements had occurred. The plan of arrangement was determined to be a capital reorganization and is excluded from the scope of IFRS 3 – Business Combinations.

### **Principal Assets**

Unless otherwise stated, the technical information provided below has been reviewed by Brian McEwen, P.Geol., VP Exploration and Development for the Company, and a Qualified Person as defined under National Instrument 43-101.

#### **1. Puna Operations Inc. Mining Joint Venture (25% Ownership)**

##### **1.1 Puna Operations Background**

On October 1, 2015, Golden Arrow announced that it had signed a business combination agreement with SSR Mining Inc. ("SSR"; TSX: SSRM; NASDAQ: SSRM) to combine SSR's Pirquitas Silver-Zinc mining operation ("Pirquitas") and Golden Arrow's Chinchillas silver-lead-zinc project ("Chinchillas") into a single new mining business in the Province of Jujuy, Argentina. The agreement gave Golden Arrow a 25% interest in the combined business, with SSR holding the remaining 75% and acting as operator.

The agreement included a preliminary period of up to 18 months (the "Preliminary Period") in which the two companies worked together to complete pre-development studies to advance the knowledge of the Chinchillas deposit and evaluate the feasibility of mining Chinchillas, with ore processing and concentrate production using the mill and plant at Pirquitas. During the Preliminary Period, SSR made payments totaling C\$2 million to the Company on completion of certain milestones and for granting SSR the rights to conduct pre-development activities at Chinchillas.

At the end of the Preliminary Period on March 31, 2017, SSR exercised its option on the Chinchillas project and on May 31, 2017, SSR and the Company formed Puna Operations Inc. (“POP”) for the development of the property. The jointly owned company, holding the Piriquitas and Chinchillas properties, is owned 75% by SSR and 25% by the Company with SSR as the operator. Upon vesting by SSR, the agreement specified that an amount equal to 25% of the Piriquitas 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 “Piriquitas 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 CDN\$17.8 million for the Piriquitas Payment.

The business combination provided Golden Arrow with an opportunity to fast-track development of the Chinchillas property, in a capital efficient manner, through use of the existing production facilities at the Piriquitas mine and establishment of common infrastructure, while benefitting from SSR’s proven management team with extensive mine construction and operational expertise.

### 1.2 Piriquitas Background

The Piriquitas silver operation is a 100% owned property, positioned at an elevation of 4,100 meters above sea level and is accessible by all-weather roads. The open-pit mine achieved commercial production on December 1, 2009 and produces silver and zinc concentrates for sale to third party smelters. On-site mine facilities include a 4,000 tonne per day (“tpd”) mill and a processing plant with gravity pre-concentrator and a conventional mineral flotation circuit. The operation owns a fleet of trucks, loading units and other equipment for open-pit mining. In the first quarter of 2017 the mine stopped its open-pit mining activities and began processing stockpiled ore material, which resulted in 6.2 million ounces of silver produced in 2017<sup>1</sup>.

### 1.3 Chinchillas Background

The Chinchillas silver-lead-zinc deposit is a 100% owned property located approximately 42 road kilometres from Piriquitas. Between 2012 and 2015 Golden Arrow advanced the property from a grassroots exploration project to a preliminary economic assessment level deposit. From October 2015 to March 2017 the pre-development program was conducted in conjunction with SSR, as part of the business combination agreement. The program included multiple drill programs to further define and upgrade resources, engineering and environmental studies, and the submission of the Environmental Impact report to the local mining authorities. The work culminated in the publishing of a pre-feasibility study (“PFS”) for the project, as supported by a NI 43-101 Technical Report filed on SEDAR dated May 15<sup>th</sup>, 2017. Details of the project geology, exploration history and the mine development and operation plan using the Piriquitas facilities are available in the report. The following summarizes the key highlights:

(All financial results are in U.S. dollars and all technical data are presented on a 100% project basis.)

- Average annual silver equivalent production of 8.4 million ounces over an eight-year mine life at a 4,000 tpd plant throughput.
- Robust operating margins based on cash costs of \$7.40 per payable ounce of silver sold over the life of mine.
- Post-tax net present value of \$178 million using a 5% discount rate and metal prices of \$19.50 per ounce silver, \$0.95 per pound lead and \$1.00 per pound zinc.
- Attractive post-tax internal rate of return of 29%.
- Near-term production based on construction that began in the third quarter of 2017, subject to permitting, followed by ore delivery to the Piriquitas mill in the second half of 2018.
- Low capital costs based on initial capital expenditures, including owner’s costs and contingency, estimated to be \$81 million.
- Capital cost estimates assume utilizing certain property, plant and equipment from the Piriquitas mine. All costs incurred prior to the declaration of commercial production are considered capital costs.

As part of the PFS Golden Arrow worked with SSR to update the mineral resource estimate and define mineral reserves for Chinchillas, as summarized in the tables below.

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<sup>1</sup> SSR Mining (Feb 22, 2018) *SSR Mining Reports Fourth Quarter and Year-End 2017 Results* [Press Release]. Retrieved from <http://ir.ssrmining.com/investors/news/press-release-details/2018/SSR-Mining-Reports-Fourth-Quarter-and-Year-End-2017-Results/default.aspx>

**Table 1: Chinchillas Mineral Resources Estimate (as at October 2, 2016)**

Category	Tonnes	AgEq	Ag	Pb	Zn	AgEq	Ag	Pb	Zn
	(Mt)	(g/t)	(g/t)	%	%	(Moz)	(Moz)	(Mlb)	(Mlb)
Measured	3.1	160	128	0.60	0.41	16	13	41	28
Indicated	26.2	148	98	0.94	0.62	124	83	540	358
Total (M+I)	29.3	149	101	0.90	0.60	140	96	581	386
Inferred	20.9	94	50	0.54	0.81	63	34	250	374

**Notes:**

1. Mineral Resources estimate was prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Counsel – Definitions adopted by the CIM Council on May 10, 2014 (the “CIM Standards”) and reported in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under the direction of Robert Sim, P.Geo, SIM Geological Inc., a qualified person.
2. Mineral Resources estimate has been generated from drill hole sample assay results and the interpretation of a geologic model relating to the spatial distribution of silver, lead and zinc. Interpolation characteristics were defined based on the geology, drill hole spacing, and geostatistical analysis of the data. Grade estimates using ordinary kriging are made into model blocks measuring 8 x 8 x 5 metres (LxWxH). Mineral Resources were classified according to their proximity to sample data locations.
3. Mineral Resources are contained within a pit shell generated using a silver equivalent grade derived from the following formula:  $AgEq = Ag\ g/t + (Pb\% * 30.49) + (Zn\% * 33.54)$ . Mineral Resources estimate is based on metal price assumptions of \$22.50/oz silver, \$1.00/lb lead and \$1.10/lb zinc.
4. The base case cut-off grade, which reflects the transport and processing of ore at Pirquitas, is estimated to be 60 g/t AgEq based on projected operating costs and metal prices listed above.
5. Metallurgical recoveries, used in the generation of the pit shell, are assumed to be 85% silver, 93% lead and 80% for zinc.
6. Mineral Resources are reported inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
7. The quantity and grade of reported Inferred Mineral Resources are uncertain in nature and there has been insufficient exploration to classify these Inferred Mineral Resources as Indicated or Measured Mineral Resources. We intend to conduct further exploration to upgrade the Inferred Mineral Resources; however, due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.
8. Figures may not total exactly due to rounding. All ounces reported represent troy ounces, and “g/t” represents grams per tonne.

**Table 2: Chinchillas Mineral Reserves (as at December 31, 2016)**

Category	Tonnes	Ag	Pb	Zn	Ag	Pb	Zn
	(Mt)	(g/t)	%	%	(Moz)	(Mlb)	(Mlb)
Proven	1.6	180	0.75	0.42	9	27	15
Probable	10.1	150	1.27	0.50	48	282	111
Total <sup>10</sup>	11.7	154	1.20	0.49	58	310	127

**Notes:**

1. Mineral Reserves estimate was prepared in accordance with the CIM Standards and reported in accordance with NI 43-101 under the direction of Anoush Ebrahimi, P.Eng, Ph.D., SRK Consulting (Canada) Inc., a qualified person.
2. Mineral Reserves estimate is based on metal price assumptions of \$18.00/oz silver, \$0.90/lb lead and \$1.00/lb zinc.
3. Mineral Reserves estimate is reported at a cut-off grade of \$32.56 per tonne net smelter return.
4. All figures include dilution. The average mining dilution is calculated to be 11%.
5. Ore loss is estimated at 2%.
6. There is an estimated 54.89 Mt of waste in the ultimate pit. The strip ratio is 4.69 (waste:ore)
7. Processing recoveries vary based on the feed grade. The average recovery is estimated to be 85% for silver, 95% for lead and approximately 80% for zinc.
8. Metals shown in this table are the contained metals in ore mined and processed.
9. This Mineral Reserves estimate assumes that all required permits, as discussed under the heading “Environment, Communities and Permitting” will be obtained.
10. Figures may not total exactly due to rounding. All ounces reported represent troy ounces, and “g/t” represents grams per tonne.

## 1.4 Operations

The development of the Chinchillas project was initiated on June 1, 2017, following the filing of the PFS and the formation of POI. The project scope consists of developing the open pit mine at Chinchillas for delivery of ore to the existing Pirquitas processing plant. Ore will be transported from the Chinchillas site via conventional 35-tonne trucks on an existing nationally operated road which will be upgraded to safely transport ore and to minimize environmental and community impacts.

In December 2017, the Chinchillas mine Environmental Impact Assessment ("EIA") approval was received including final negotiations on land leases and community commitments. As such, pre-stripping and construction contractors were mobilized in the first quarter of 2018.

Highlights of Puna's Second Quarter 2018 results as reported by SSR<sup>2</sup> included:

- Exceeded first half guidance: Produced 1.0 million ounces of silver at cash costs of \$14.73 per payable ounce of silver sold, exceeding first half production guidance.
- Chinchillas project remains on track: Subsequent to quarter-end, trucked first ore to the Pirquitas site in July 2018. The project remains on schedule for sustained ore delivery in the fourth quarter of the year and on budget, with material advancements in construction and development activities made during the quarter.
- Exploration to expand resources continues, including a 2,400 metre surface drill program at Pirquitas targeting mineralization to augment underground mineral resources.

Detailed production statistics and resource & reserve tables for POI are published by SSR in annual and quarterly news releases which are available on their website: <http://ssrmining.com>.

## 2. Exploration Projects

Golden Arrow's exploration properties are all located in Argentina and include approximately 215,000 ha in four provinces. The following summary discusses only the most active/material projects. In the third quarter the Company announced that its portfolio of exploration prospects in Argentina have been transferred to a newly incorporated, wholly-owned B.C. subsidiary, New Golden Explorations Inc. (formerly B.A. Exploration Corp.) ("New Golden"). All exploration is conducted through New Golden, with the intention that the operation will eventually raise capital by way of equity financings, commencing with an initial public offering in the near future.

### 2.1. Antofalla Silver and Base Metals Project, Catamarca

On July 11, 2016, the Company announced that it entered into an option agreement to acquire a 100% interest in the Antofalla project, a silver and base metals project located in Catamarca Province, Argentina. Antofalla hosts similar styles of geology and mineralization to the Company's Chinchillas Silver Project. The terms of the option agreement include staged payments over five years totaling US\$1,500,000 for a 100% interest in the property as shown below.

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

The vendor retains a 1% net smelter royalty.

<sup>2</sup> SSR Mining (August 9, 2018) SSR Mining Reports Second Quarter 2018 Results [Press Release]. Retrieved from <http://ir.ssrmining.com/investors/news/press-release-details/2018/SSR-Mining-Reports-Second-Quarter-2018-Results/default.aspx>

On October 17, 2016, Golden Arrow announced the initiation of a \$2 million exploration program at the project. The first part of the program included remote sensing, a 10,500 m IP/Resistivity geophysical survey, and geochemical sampling to delineate drill targets. On May 2, and July 11, 2017, Golden Arrow announced results from the program, which identified several new high-potential targets and returned promising geochemical results, summarized as follows:

- A 500 metre by 500 metre soil anomaly including several areas of 40 to 91 ppm silver, that includes and expands the previously identified File del Volcan target, and the Colorada Breccia target where previous operators reported drill intercepts of 18 metres averaging 128 g/t silver, 0.23 g/t gold and 0.88 % lead. Channel sampling by Golden Arrow returned 3.65 metres averaging 103 g/t silver and 1.8% lead at the Colorada Breccia target area, with 281 g/t silver & 0.5% lead over 3.35 metres, and 168 g/t silver over 8 metres sampled from several new mineralized breccia “vents” located 380 metres to the southwest of the original target. Rock chip sampling returned 3.87 g/t gold, 146 g/t silver & 1% lead, and 0.14 g/t gold, 4,404 g/t silver & >30% lead from other similar breccia “vents” in the area.
- A 300 metre x 150 metre soil anomaly including areas >100 ppm silver at the Domos Norte target, where channel samples returned 5 metres averaging 77 g/t silver and 0.80 metres averaging 134 g/t silver. Domos Norte is located 900 metres northwest of the Colorada Breccia target, and hosts sheeted quartz veinlets with intense coverage of recent sediments.
- A new Copper Vein target with 568 ppm silver, 2.02 ppm gold and 0.41% copper in rock sample, and 3.8 metres of 150 ppm silver in channel sample.
- Confirmed similarities with the geologic model for the Chinchillas Silver Deposit. IP survey results delineate the contact between the Dome Zone target area and the underlying geological units, and correlated this contact with mineralized samples.

On March 22, 2018, Golden Arrow announced that it has commenced the first diamond drill program at the Antofalla project. The program is planned to include up to 3,000 metres of drilling on multiple targets that were delineated in the 2017 surface exploration and trenching programs.

## 2.2. Pescado Gold Project, San Juan

The Pescado Gold Project includes 11 mineral claims in the Gualcamayo area of San Juan covering nearly 22,000 hectares, to which the Company has an exclusive right.

The northern boundary of the Pescado Gold Project is 10 kilometres south of the main gold zone on the Gualcamayo gold mine, in a similar geological and structural setting. It is between 1,500 metres and 3,000 metres elevation and is accessible for year-round exploration. The project has had large-scale, systematic silt sampling, follow-up soil grids and rock sampling surveys carried out over much of the property area. 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 ; 16 m of 0.602 g/t gold, including 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 ; 2 m of 0.13 g/t Au, 10.2 g/t Ag, >1% Cu, 3,535 ppm Pb and 2,719 ppm Zn (see news release dated February 19, 2008 for further details). A helicopter-borne aeromagnetic survey was conducted over 18,000 hectares of the Project in 2008, comprised of 1,870 line kilometres in 200 metre spaced lines.

On November 6, 2017, the Company announced a US\$1M exploration program at the Pescado project. The program was designed to include additional geophysics and surface work to refine drill targets, with up to 1,800 metres of drilling budgeted. The initial program of surface sampling and trenching is complete.

## 2.3. Mogote Property, 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. The Mogote project now includes approximately 8,800 hectares to which Golden Arrow has an exclusive right. It is strategically-located in the Vicuna District of northern San Juan Province which includes NGEEx 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.

The first year program on Mogote Vale 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.

In 2012, Vale completed a 7 hole, 3,695 m drill program at Mogote. Vale's drilling confirmed the existence of a copper porphyry system below the large and prominent steam leached alteration zone at the Zona Colorida. (see News Release dated June 18, 2012.) On January 14, 2013, the Company announced that Vale commenced a 10-hole, 7,500 m drill program at Mogote. The drill program targeted both porphyry copper-gold and precious metal epithermal mineralized zones identified during the 2011-12 field program, specifically the 3 holes in Filo Este, 3 holes in Filo Central, 2 holes in Zona Colorida and 2 holes in Stockwork hill.

On July 24, 2013, the Company announced that Vale provided notice of its decision to terminate the option agreement on the Mogote project. The Company is currently seeking new joint venture partners for the project.

#### 2.4. Caballos, La Rioja

On September 8, 2011, Golden Arrow announced it had acquired the approximately 22,900 ha. Caballos Project 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) as part of the Caballos project.

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.

In 2016, two small licenses within the property were terminated. As a result, the Company now has an exclusive right to licenses totaling approximately 20,884 ha in the prospective Caballos district.

The Company is seeking an option or joint venture partner for the property.

#### 2.5. 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 Project in western La Rioja Province, Argentina. The project has since been reduced, leaving the Company with the exclusive right to a core set of properties of approximately 9,300 ha. The project 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 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 Project 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.

The Company is seeking an option or joint venture partner for the property.

#### 2.6. Potrerillos Gold-Silver Project, San Juan

Golden Arrow holds the exclusive right to the 3,999 ha Potrerillos property, located approximately 8 km due east of Barrick Gold's Veladero deposit, and sharing 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.

A summary of the project geology and exploration programs can be found on the Company's website. Additional details are available in the original news releases filed on SEDAR

During fiscal 2015, the Company determined that it would not be exploring the Fronterra District further, and wrote-off \$656,124 in acquisition costs.

The Company is seeking an option or joint venture partner for the project.

**Selected POI Financial Information for the six months ended June 30, 2018 and seven-month period ended December 31, 2017**

The selected financial information below has been prepared on a continuity of interest basis once the plan of arrangement with, among others, SSR Mining Inc. had occurred. 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
Accounts 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	
Gain on business combination	\$ 725,956
	\$ 49,068,036

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 six months ended June 30, 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	1,112,180
Subtotal	36,051,507
Translation Adjustment	(2,349,492)
Balance, December 31, 2017	\$ 33,702,015
Equity contributions to POI	5,027,998
Company's share of comprehensive loss of POI, net of tax	(5,446,854)
Subtotal	33,283,159
Translation adjustment	3,145,713
Balance, June 30, 2018	\$ 36,428,872



The following is the summarized financial information for POI as at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Current assets	\$ 83,511,583	\$ 94,647,692
Non-current assets	163,915,538	142,445,529
Current liabilities	(44,138,387)	(28,942,036)
Non-current liabilities	(57,573,245)	(73,343,123)
Net assets	\$ 145,715,489	\$ 134,808,062
Comprehensive (loss) income for the period	\$ (21,787,414)	\$ 4,448,720

**Results of Operations – For the six months ended June 30, 2018 compared to the six months ended June 30, 2017**

**Loss from operating activities**

During the six months ended June 30, 2018, loss from operating activities decreased by \$751,945 to \$6,025,900 compared to \$6,777,845 for the six months ended June 30, 2017. The decrease in loss from operating activities is largely due to:

- A decrease of \$1,132,338 management fees and salaries and employee benefits. Management fees and salaries and employee benefits were \$672,976 for the six months ended June 30, 2018 compared to \$1,805,314 for the six months ended June 30, 2017. The decrease is due to lower management fees and salaries and employee benefits during the six months ended June 30, 2018 compared to higher management fees and salaries and employee benefits resulting from performance bonuses and executive compensation paid in connection with the closing of the plan of arrangement during the six months ended June 30, 2017.
- A decrease of \$615,404 in share-based compensation. Share-based compensation was \$760,760 for the six months ended June 30, 2018 compared to \$1,376,164 for six months ended June 30, 2017. The decrease is due to the granting of 2,045,000 fully vested stock options during the six months ended June 30, 2018, compared to granting and partial vesting of 3,820,000 stock options granted during March and June 2017, as well as partial vesting of stock options granted in April 2016 during the six months ended June 30, 2017.
- A decrease of \$491,495 in corporate development and investor relations. Corporate development and investor relations were \$450,319 for the six months ended June 30, 2018 compared to \$941,814 for the six months ended June 30, 2017. The decrease is due to fewer activities relating to promotion of the Company's projects during the six months ended June 30, 2018 compared to a greater number of activities relating to promotion of the Company's projects during the six months ended June 30, 2017.
- A decrease of \$276,008 in professional fees. Professional fees were \$355,209 for the six months ended June 30, 2018 compared to \$631,217 for the six months ended June 30, 2017. The decrease is primarily due to a greater amount of legal, financial advisory, consulting and professional services required, as the Company closed the joint venture agreement with SSR for the advancement of the Chinchillas project during the six months ended June 30, 2017.

The decreases were partially offset by the following:

- An increase of \$1,652,950 in exploration. Exploration expense was \$3,439,624 for the six months ended June 30, 2018 compared to \$1,786,674 for the six months ended June 30, 2017. The Company undertook more exploration work at its Antofalla project in Catamarca, Argentina, including commencement of the first diamond drill program, during the six months ended June 30, 2018 compared to less exploration work performed at the Antofalla project during the six months ended June 30, 2017.

## **Other items**

During the six months ended June 30, 2018, other items decreased by \$53,680,867 to \$5,519,024 compared to other income of \$48,161,843 for the six months ended June 30, 2017. The change in other items is largely due to:

- A decrease of \$49,068,036 in gain on business combination. The Company closed the agreement with, among others, SSR and upon acquiring its equity interest in POI recognized a gain of \$49,068,036 for the six months ended June 30, 2017 compared to no such transactions completed during the six months ended June 30, 2018.
- An increase of \$5,233,124 in loss from POI. Loss from POI was \$5,446,854 for the six months ended June 30, 2018 compared to \$213,730 for the six months ended June 30, 2017. The increase is due to the Company's 25% equity share of a higher comprehensive loss due to lower sales volumes from processing of lower grade stockpile ore incurred by POI for the six months ended June 30, 2018 compared to a smaller comprehensive loss due to higher sales volumes from processing of higher grade stockpile ore incurred by POI during the six months ended June 30, 2017.
- An increase of \$473,280 in finance expense for warrants extended. Finance expense for warrants extended was \$473,280 for the six months ended June 30, 2018, compared to \$Nil for the six months ended June 30, 2017. The increase is due to the extension of 4,509,996 warrants with an exercise price of \$1.00, set to expire on January 28, 2018, which were extended to January 28, 2019 during the six months ended June 30, 2018. Fair value of the warrants was determined using the Black-Scholes model for the finance expense for warrants extended.

The increases were partially offset by the following:

- An increase of \$1,196,137 in foreign exchange gain. Foreign exchange gain was \$317,815 for six months ended June 30, 2018 compared to a foreign exchange loss of \$878,322 for the six months ended June 30, 2017. The increase is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.
- A decrease in Argentina tax expense of \$764,501. Argentina tax expense was \$Nil for the six months ended June 30, 2018, compared with to \$765,501 during the six months ended June 30, 2017.

Net loss after tax for the six months ended June 30, 2018 was \$11,544,924 or \$0.12 per basic and diluted loss per share compared to net income after tax of \$40,619,497 or \$0.42 per basic earnings per share and \$0.38 diluted earnings per share for the six months ended June 30, 2017.

## **Cash Flows**

### **Operating Activities**

Cash outflow from operating activities was \$4,954,716 for the six months ended June 30, 2018 compared to \$6,434,814 for the six months ended June 30, 2017. The decrease in cash outflow results primarily from lower corporate and administrative cash costs, partially offset by higher exploration expenditures and changes in non-cash working capital balances due to timing of receipt and payment of cash compared to the prior period.

### **Investing Activities**

Cash outflow from investing activities was \$5,360,234 for the six months ended June 30, 2018 compared to cash inflow of \$17,533,811 for the six months ended June 30, 2017. Equity contributions made to POI were \$5,027,998 for the six months ended June 30, 2018, compared to \$Nil for the six months ended June 30, 2017. Expenditures on mineral property interests were \$330,259 during the six months ended June 30, 2018 compared to \$283,879 during the six months ended June 30, 2017. Expenditures on equipment were \$1,977 during the six months ended June 30, 2018 compared to \$53,954 during the six months ended June 30, 2017. Receipt of Pirquitas Payment was \$Nil during the six months ended June 30, 2018, compared to \$17,490,348 during the six months ended June 30, 2017.

## **Financing Activities**

Cash inflows from financing activities was \$1,090,871 for the six months ended June 30, 2018 compared to \$1,506,778 for the six months ended June 30, 2017. Proceeds from the exercise of warrants were \$1,090,871 for the six months ended June 30, 2018 compared to \$1,241,727 for the six months ended June 30, 2017. Proceeds from the exercise of stock options were \$Nil for the six months ended June 30, 2018 compared to \$265,051 for the six months ended June 30, 2017.

## **Results of Operations – For the three months ended June 30, 2018 compared to the three months ended June 30, 2017**

### **Loss from operating activities**

During the three months ended June 30, 2018, loss from operating activities decreased by \$1,565,442 to \$3,444,311 compared to \$5,009,753 for the three months ended June 30, 2017. The decrease in loss from operating activities is largely due to:

- A decrease of \$1,326,363 in share-based compensation. Share-based compensation was \$Nil for the three months ended June 30, 2018 compared to \$1,326,363 for three months ended June 30, 2017. No stock options were granted or vested during the three months ended June 30, 2018, compared to the granting and partial vesting of 3,570,000 stock options granted June 2017, as well as partial vesting of stock options granted in April 2016 during the three months ended June 30, 2017.
- A decrease of \$1,168,738 management fees and salaries and employee benefits. Management fees and salaries and employee benefits were \$351,303 for the three months ended June 30, 2018 compared to \$1,520,041 for the three months ended June 30, 2017. The decrease is due to lower management fees and salaries and employee benefits during the three months ended June 30, 2018 compared to higher management fees and salaries and employee benefits as a result of performance bonuses and executive compensation paid in connection with the closing the plan of arrangement during the three months ended June 30, 2017.
- A decrease of \$263,280 in professional fees. Professional fees were \$288,046 for the three months ended June 30, 2018 compared to \$551,326 for the three months ended June 30, 2017. The decrease is primarily due to a greater amount of legal, financial advisory, consulting and professional services required, as the Company closed the joint venture agreement with SSR for the advancement of the Chinchillas project during the three months ended June 30, 2017.
- A decrease of \$221,869 in corporate development and investor relations. Corporate development and investor relations were \$192,093 for the three months ended June 30, 2018 compared to \$413,962 for the three months ended June 30, 2017. The decrease is due to fewer activities relating to promotion of the Company's projects during the three months ended June 30, 2018 compared to a greater number of activities relating to promotion of the Company's projects during the three months ended June 30, 2017.

The decreases were partially offset by the following:

- An increase of \$1,437,135 in exploration. Exploration expense was \$2,479,618 for the three months ended June 30, 2018 compared to \$1,042,483 for the three months ended June 30, 2017. The Company undertook more exploration work at its Antofalla project in Catamarca, Argentina, including continuation of the first diamond drill program, during the three months ended June 30, 2018 compared to less exploration work performed at the Antofalla project during the three months ended June 30, 2017.

### **Other items**

During the three months ended June 30, 2018, other items decreased by \$52,188,753 to \$4,050,937 compared to other income of \$48,137,816 for the three months ended June 30, 2017. The change in other items is largely due to:

- A decrease of \$49,068,036 in gain on business combination. The Company closed the agreement with, among others, SSR and upon acquiring its equity interest in POI recognized a gain of \$49,069,036 for the three months ended June 30, 2017 compared to no such transactions completed during the three months ended June 30, 2018.

- An increase of \$3,959,777 in loss from POI. Loss from POI was \$4,173,507 for the three months ended June 30, 2018 compared to \$213,730 for the three months ended June 30, 2017. The increase is due to the Company's 25% equity share of a higher comprehensive loss due to lower sales volumes from processing of lower grade stockpile ore incurred by POI for the three months ended June 30, 2018 compared to a smaller comprehensive loss due to higher sales volumes from processing of higher grade stockpile ore incurred by POI during the three months ended June 30, 2017.

The increases were partially offset by the following:

- An increase of \$838,089 in foreign exchange gain. Foreign exchange gain was \$88,213 for three months ended June 30, 2018 compared to a foreign exchange loss of \$749,876 for the three months ended June 30, 2017. The increase is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

Net loss after tax for the three months ended June 30, 2018 was \$7,495,248 or \$0.08 per basic and diluted loss per share compared to net income after tax of \$42,363,562 or \$0.42 per basic earnings per share and \$0.38 diluted earnings per share for the three months ended June 30, 2017.

### **Balance Sheet**

At June 30, 2018, the Company had total assets of \$44,809,437 compared with \$50,982,862 in total assets at December 31, 2017. The decrease primarily results from a decrease of cash of \$9,224,079, partially offset by an increase in investment in POI of \$2,726,857 and mineral property interests of \$330,259.

### **Selected Quarterly Financial Information**

	2018		2017				2016	
	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net (Loss) income	(7,495,248) <sup>(1)</sup>	(4,049,676) <sup>(2)</sup>	(1,056,433) <sup>(3)</sup>	160,236 <sup>(4)</sup>	42,363,562 <sup>(5)</sup>	(1,744,065) <sup>(6)</sup>	(1,010,375) <sup>(7)</sup>	(2,363,561)
Net (Loss) income per Common Share Basic	(0.08)	(0.04)	(0.01)	(0.00)	0.42	(0.00)	(0.01)	(0.03)
Net (Loss) income per Common Share Diluted	(0.08)	(0.04)	(0.01)	(0.00)	0.38	(0.00)	(0.01)	(0.03)

- (1) Increase from prior quarter primarily driven by an increase in loss from POI of \$2,900,160, exploration expenditures of \$1,519,612, professional fees of \$220,883, and finance expense of \$473,280, partially offset by a decrease in share-based compensation of \$760,760.
- (2) Increase from prior quarter primarily driven by an increase in loss from POI of \$1,452,332, share-based compensation of \$760,760, exploration expenditures of \$510,844, and finance expense of \$473,280.
- (3) Decrease from prior quarter primarily driven by a decrease of income from POI of \$967,940 and exploration expenditures of \$144,547.
- (4) Decrease from prior quarter primarily driven by no gain on business combination upon closing of plan of arrangement of \$49,068,036 occurring, partially offset by a decrease in share-based compensation of \$1,303,326, management fees and salaries and employee benefits of \$1,188,759, and exploration expenditures of \$737,868, and an increase of income from POI of \$1,360,655.
- (5) Increase from prior quarter primarily driven by a \$49,068,036 gain on business combination upon closing of the plan of arrangement, partially offset by an increase in share-based compensation of \$1,276,561, management fees and salaries and employee benefits of \$1,234,768, and Argentina tax expense of \$764,501.
- (6) Increase from prior quarter primarily driven by an increase in corporate development and investor relations of \$280,844, foreign exchange loss of \$227,418, a decrease in exploration and other cost recovery of \$1,725,589, partially offset by a decrease in exploration expenditures of \$1,394,648, gain on sale of marketable securities of \$133,256.
- (7) Decrease from prior quarter primarily driven by a decrease in share-based compensation of \$226,315, corporate development and investor relations of \$572,110 and foreign exchange loss of \$673,244.

## **Liquidity and Capital Resources**

At June 30, 2018, the Company had working capital of \$7,113,028 consisting primarily of cash and cash equivalents and has an accumulated deficit of \$10,356,185. Although the Company presently has sufficient financial resources to meet its minimum obligations, including general corporate activities and planned development expenditures, for at least the next twelve months, the Company expects to require further funding in the longer term to fund its share of planned capital expenditures for its investment in POI to bring the Chinchillas project to the production stage. 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.

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 (i)	247,200	-	-	-	-
Office Leases (ii)	79,184	160,258	-	-	-

### *(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 \$41,200 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The agreement expires on December 31, 2018 and will be automatically renewed for additional term 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.

## **Capital Stock**

### *Authorized Share Capital*

At June 30, 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.

As at June 30, 2018, there were 101,974,517 shares were issued and outstanding.

As at the date of this report, there are 101,974,517 shares were issued and outstanding.

### *Details of Issues of Common Shares in 2018*

3,581,383 warrants were exercised during the six months ended June 30, 2018.

4,509,996 warrants that were set to expire on January 28, 2018 were extended to January 28, 2019. 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.

### *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 of the consolidated financial statements for the year ended December 31, 2017, 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, amended January 9, 2018, totaling a maximum of 9,740,920 share purchase options.

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

The Company had the following warrants outstanding as at the date of this report:

Number of Warrants Outstanding	Exercise Price (CAD\$)	Expiry Date
4,509,996	\$1.00	January 28, 2019
4,509,996		

The following summarizes information about the Company’s share options outstanding and exercisable as at the date of this report:

Number of Shares		Exercise Price (CAD\$)	Expiry Date
Outstanding	Exercisable		
725,000	725,000	\$0.35	March 25, 2019
55,000	55,000	\$0.35	April 16, 2019
1,270,000	1,270,000	\$0.35	June 11, 2020
1,005,000	1,005,000	\$0.32	April 19, 2021
395,000	395,000	\$0.42	April 27, 2021
15,000	15,000	\$0.62	May 29, 2012
3,490,000	3,490,000	\$0.62	June 22, 2022
2,045,000	2,045,000	\$0.70	January 9, 2023
9,000,000	9,000,000		

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **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 common director with the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. This fee is reviewed and adjusted quarterly based on the level of services required.

The Agreement 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.

	Six months ended June 30,	
	2018	2017
<b>Transactions</b>	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Administration and management services	193,000	371,000
Office & sundry	65,100	66,800
<b>Total for services rendered</b>	<b>258,100</b>	<b>437,800</b>

### 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 and Corporate Secretary and Vice President of Corporate Development.

<b>Transactions</b>	<b>Position</b>	Six months ended June 30,	
		2018	2017
		\$	\$
Consulting, salaries, and professional fees:			
Joseph Grosso	Chairman/President/CEO	137,500	512,500
Darren Urquhart	CFO	30,000	100,000
Nikolaos Cacos	Director/VP – Corp.	60,000	350,000
Louis Salley	Director	15,904	26,975
David Terry	Director	11,025	8,900
John Gammon	Director	6,000	6,000
Taylor Thoen	Director	-	41,800
Alfred Hills	Director	36,725	-
<b>Total for services rendered</b>		<b>297,154</b>	<b>1,046,175</b>

<b>Transactions</b>	<b>Position</b>	Six months ended June 30,	
		2018	2017
		\$	\$
Share-based compensation:			
Joseph Grosso	Chairman/President/CEO	290,945	-
Darren Urquhart	CFO	27,276	-
Nikolaos Cacos	Director/VP – Corp.	145,473	-
Louis Salley	Director	72,736	-
David Terry	Director	36,368	-
John Gammon	Director	36,368	-
Taylor Thoen	Director	18,184	-
<b>Total share based compensation to key management</b>		<b>627,350</b>	<b>-</b>

As at June 30, 2018, there were \$44,454 (2017 – \$Nil) of costs owed from related corporations for shared services paid by the Company.

## **Subsequent Events**

### *Credit Agreement*

On July 6, 2018, the Company entered into a credit agreement with SSR for a non-revolving term loan in an aggregate principal amount equal to \$10,000,000. The loan matures on the date which is the earlier of: (a) the date which is 24 months from the first delivery of ore from POI's Chinchillas property to the Pirquitas mill (July 22, 2018); and (b) December 31, 2020.

The proceeds borrowed under the credit agreement 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 loan will bear 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 for any day, 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 agreement, compounded monthly, and shall be capitalized and payable on the maturity date.

As of the date of this report, the Company has not made any borrowings under the credit agreement.

## **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 six months ended June 30, 2018. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

### *Changes in Accounting Standards*

The Company has adopted these accounting standards effective January 1, 2018. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 9 – *Financial Instruments*

IFRS 15 – *Revenue from Contracts with Customers*

### *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.



## **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.

### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, amounts receivable and exploration funding receivable. The majority of the Company's receivables result from exploration funding for expenses incurred and are with a reputable mining company in good standing.

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

### ***Liquidity risk (See Liquidity and Capital Resources)***

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.

As at June 30, 2018, the Company has \$321,931 in accounts payable and accrued liabilities that are due within one year of the date of the statement of financial position.

### ***Market risk***

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

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, amounts receivable, exploration funding receivable, accounts payable, loan payable and interest payable. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar and between the Canadian dollar and the Argentine Peso at June 30, 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 \$191,796.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$793.

#### ***(ii) Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest and short-term investments are redeemable at any time without penalty, with interest paid from the date of purchase. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

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

## **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 condensed consolidated interim financial statements for the six months ended June 30, 2018 and 2017. 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 may 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.

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

### **Forward Looking Statements**

*Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, but not limited to, the risks associated with the Arrangement as well as the risks described in this MD&A under the heading "Risk Factors and Uncertainties". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.*

### **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, 2018.

### **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](http://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](http://www.goldenarrowresources.com)) on a continuous basis.