Golden Arrow Resources Corporation

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED
JUNE 30, 2014 AND 2013

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2014 $	December 31, 2013 $
ASSETS			
Non-current assets			
Property and equipment	3	51,615	81,088
Mineral property interests	4	1,596,061	1,548,230
Total non-current assets		1,647,676	1,629,318
Current assets			
Prepaid expenses		74,902	25,084
Investments	5	1,267,324	1,256,930
Amounts receivable		28,896	46,067
Cash and cash equivalents		1,569,072	5,052,392
Total current assets		2,940,194	6,380,473
Total Assets		4,587,870	8,009,791
EQUITY			
Share capital	6	8,428,469	8,650,617
Treasury stock		-	(48,005)
Reserves	6	14,572,760	14,254,407
Deficit		(20,274,413)	(15,278,200)
Total equity		2,726,816	7,578,819
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	1,861,054	430,972
Total current liabilities		1,861,054	430,972
Total Equity and Liabilities		4,587,870	8,009,791

COMMITMENTS (Note 10)

SUBSEQUENT EVENTS (Note 12)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 25, 2014. They are signed on the Company's behalf by:

"Joseph Grosso" , Director

"David Terry" , Director

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Expenses					
Administration and management services	7	136,525	94,950	238,025	208,050
Corporate development and investor relations		99,782	219,427	225,854	358,294
Depreciation		7,059	7,059	14,118	14,118
Exploration	4	2,556,806	959,080	3,973,259	2,671,182
Office and sundry	7	51,195	42,161	115,556	89,362
Professional fees	7	48,647	39,447	85,070	134,756
Rent, parking and storage	7	55,547	57,869	114,385	111,574
Salaries and employee benefits	7	140,119	211,589	283,085	537,841
Share-based compensation	7	43,056	29,258	307,959	29,258
Transfer agent and regulatory fees		4,370	15,744	11,717	23,414
Travel and accommodation		52,944	89,244	74,139	157,080
Loss from operating activities		3,196,050	1,765,828	5,443,167	4,334,929
Foreign exchange (gain) loss		(211,601)	20,955	(473,323)	5,087
Gain on sale of property and equipment		-	-	-	(10,919)
Interest income		(4,274)	(25,417)	(17,170)	(58,725)
Loss on sale of marketable securities	11	18,637	-	43,539	-
Loss for the period		2,998,812	1,761,366	4,996,213	4,270,372
Other comprehensive (income) loss					
Items that may be reclassified to profit or loss					
Unrealized (gain) loss on available-for-sale marketable securities	11	(11,549)	3,465	(10,394)	3,465
Other comprehensive (income) loss for the period		(11,549)	3,465	(10,394)	3,465
Total comprehensive loss or the period		2,987,263	1,764,831	4,985,819	4,273,837
Basic and diluted loss per common share ($)	8	0.07	0.04	0.12	0.10

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Cash flows from operating activities				
Loss for the period	(2,998,812)	(1,761,366)	(4,996,213)	(4,270,372)
Adjustments for:				
Depreciation of property and equipment included in exploration expenses	5,393	5,620	15,355	11,213
Depreciation	7,059	7,059	14,118	14,118
Foreign exchange gain on marketable securities	(184,111)	-	(439,761)	-
Gain on sale of property and equipment	-	-	-	(10,919)
Loss on sale of marketable securities	18,637	-	43,539	-
Share-based compensation	43,056	29,258	307,959	29,258
	(3,108,778)	(1,719,429)	(5,055,003)	(4,226,702)
Change in non-cash working capital items:				
(Increase) decrease in amounts receivable	(1,108)	25,372	17,171	24,258
Decrease (increase) in prepaid expenses	14,725	33,916	(49,818)	(7,308)
Increase (decrease) in accounts payable and accrued liabilities	1,051,191	(743,013)	1,430,082	(158,650)
Net cash used in operating activities	(2,043,970)	(2,403,154)	(3,657,568)	(4,368,402)
Cash flows from investing activities				
Expenditures on property and equipment	-	-	-	(30,000)
Mineral property interests	(21,368)	(19,058)	(47,831)	(48,862)
Proceeds from sale of property and equipment	-	-	-	10,919
Purchase of marketable securities, net of transaction costs	(929,922)	-	(1,813,295)	-
Disposal of marketable securities, net of transaction costs	1,095,396	-	2,209,517	-
Purchase of short-term investments, net of transaction costs	-	-	-	(8,500,000)
Redemption of short-term investments, net of transaction costs	-	2,500,000	-	13,050,000
Net cash generated from investing activities	144,106	2,480,942	348,391	4,482,057
Cash flows from financing activities				
Repurchases of common shares	(17,579)	-	(172,234)	-
Share repurchase costs	(189)	-	(1,909)	-
Net cash used in financing activities	(17,768)	-	(174,143)	-
Net (decrease) increase in cash	(1,917,632)	77,788	(3,483,320)	113,655
Cash at beginning of period	3,486,704	518,064	5,052,392	482,197
Cash at end of period	1,569,072	595,852	1,569,072	595,852

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

Golden Arrow Resources Corporation

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Share capital			Reserves				
	Number of shares	Amount $	Treasury Stock $	Contributed surplus $	Equity settled share-based payments $	Accumulated other comprehensive income (loss) $	Deficit $	Total $
Balance at January 1, 2013	41,823,655	8,651,208	-	13,368,280	866,108	(4,619)	(8,534,481)	14,346,496
Stock options expired	-	-	-	30,498	(30,498)	-	-	-
Share-based compensation	-	-	-	-	29,258	-	-	29,258
Total comprehensive (loss) for the period	-	-	-	-	-	(3,465)	(4,270,372)	(4,273,837)
Balance at June 30, 2013	41,823,655	8,651,208	-	13,398,778	864,868	(8,084)	(12,804,853)	10,101,917
Stock options expired	-	-	-	11,144	(11,144)	-	-	-
Repurchases of common shares	(236,500)	-	(48,005)	-	-	-	-	(48,005)
Share repurchase costs	-	(591)	-	-	-	-	-	(591)
Total comprehensive (loss) for the period	-	-	-	-	-	(1,155)	(2,473,347)	(2,474,502)
Balance at December 31, 2013	41,587,155	8,650,617	(48,005)	13,409,922	853,724	(9,239)	(15,278,200)	7,578,819
Stock options expired	-	-	-	208,219	(208,219)	-	-	-
Share-based compensation	-	-	-	-	307,959	-	-	307,959
Treasury stock cancelled under normal course issuer bid	-	(48,005)	48,005	-	-	-	-	-
Repurchases of common shares (Note 6)	(763,500)	(172,234)	-	-	-	-	-	(172,234)
Share repurchase costs	-	(1,909)	-	-	-	-	-	(1,909)
Total comprehensive (loss) for the period	-	-	-	-	-	10,394	(4,996,213)	(4,985,819)
Balance at June 30, 2014	40,823,655	8,428,469	-	13,618,141	953,464	1,155	(20,274,413)	2,726,816

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

1. NATURE OF OPERATIONS

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company's condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial reporting" ("IAS 34") and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the three and six months ended June 30, 2014.

Basis of presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

	Place of Incorporation	Principal Activity
IMPSA Resources Corporation	BC, Canada	Holding company
Valle Del Cura S.A.	Argentina	Exploration company
Desarrollo de Recursos S.A.	Argentina	Exploration company
Golden Arrow Chile Ltda.	Chile	Exploration company

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

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.

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.

Non-derivative financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Available-for-sale assets

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

iii. Loans and receivables

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

Loans and receivables comprise cash and amounts receivable.

Other financial liabilities

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

Other financial liabilities comprise accounts payable and accrued liabilities.

Property and Equipment

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

Exploration, Evaluation and Development Expenditures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an 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 normally 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.

Share-based Payment Transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per Share

The Company presents basic and diluted 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 loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income Taxes

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

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

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

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

Significant Accounting Estimates and Judgments

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

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Critical accounting estimates

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgments

i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management; and,

ii. the analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Changes in Accounting Standards

The Company has adopted these accounting standards effective January 1, 2014. The adoption of these accounting standards had no significant impact on the condensed consolidated interim financial statements. These standards are:

IAS 36 *Financial Instruments: Presentation*

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

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. In May 2011, the IASB issued IFRS 9, *Financial Instruments*. The new Standard limits the number of categories for classification of financial assets to two: amortized cost and fair value through profit or loss. IFRS 9 also replaces models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The required adoption date for IFRS 9 has been deferred and is not expected until January 1, 2017, with early adoption permitted. IFRS 9 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

(Unaudited - Expressed in Canadian Dollars)

3. PROPERTY AND EQUIPMENT

	Computer Software	Geological Equipment	Vehicles	Total $
Cost				
Balance at January 1, 2014	26,471	95,683	96,791	218,945
Balance at June 30, 2014	26,471	95,683	96,791	218,945
Accumulated Depreciation				
Balance at January 1, 2014	19,853	80,683	37,321	137,857
Depreciation	6,618	7,500	15,355	29,473
Balance at June 30, 2014	26,471	88,183	52,676	167,330
Carrying Amount				
At January 1, 2014	6,618	15,000	59,470	81,088
At June 30, 2014	-	7,500	44,115	51,615

	Computer Software	Geological Equipment	Vehicles	Total $
Cost				
Balance at January 1, 2013	26,471	65,683	111,064	203,218
Additions	-	30,000	-	30,000
Disposals	-	-	(14,273)	(14,273)
Balance at June 30, 2013	26,471	95,683	96,791	218,945
Accumulated Depreciation				
Balance at January 1, 2013	6,617	65,683	27,329	99,629
Depreciation	6,618	7,500	11,213	25,331
Disposals	-	-	(14,273)	(14,273)
Balance at June 30, 2013	13,235	73,183	24,269	110,687
Carrying Amount				
At January 1, 2013	19,854	-	83,735	103,589
At June 30, 2013	13,236	22,500	72,522	108,258

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at June 30, 2014 and December 31, 2013:

Acquisition Costs

	Argentina							
	Fronterra District $	La Rioja $	Caballos $	Chinchillas $	Darmar $	Pescado $	Other $	Total $
Balance – January 1, 2014	655,306	14,853	2,431	648,786	100,050	32,640	94,164	1,548,230
Additions								
Staking costs, land payments and acquisition costs	842	-	-	39,919	-	449	6,621	47,831
Balance – June 30, 2014	656,148	14,853	2,431	688,705	100,050	33,089	100,785	1,596,061

Exploration Expenditures

	Argentina						Chile	Total $
	Fronterra District $	La Rioja $	Chinchillas $	Caballos $	Pescado $	Other $	Mogote $	
Cumulative exploration expenses – January 1, 2014	4,329,275	1,606,601	6,739,988	316,544	844,319	726,396	32,668	14,595,791
Expenditures during the period								
Assays	-	-	289,754	-	-	2,094	-	291,848
Drilling	-	-	1,840,091	-	-	-	-	1,840,091
Geophysics and metallurgy	-	-	117,210	-	-	-	-	117,210
Imagery and base maps	-	-	5,347	-	-	-	-	5,347
Office	-	-	146,475	-	-	10,682	-	157,157
Preliminary economic assessment	-	-	45,078	-	-	-	-	45,078
Property maintenance payments	-	-	24,408	-	-	397	9,515	34,320
Rehabilitation review	-	-	-	-	-	5,749	-	5,749
Salaries and contractors	-	-	743,277	-	-	41,443	-	784,720
Supplies and equipment	-	-	348,056	-	-	6,098	-	354,154
Transportation	-	-	67,996	-	-	1,796	-	69,792
Value added taxes	60	-	262,345	-	32	5,356	-	267,793
	60	-	3,890,037	-	32	73,615	9,515	3,973,259
Cumulative exploration expenses – June 30, 2014	4,329,335	1,606,601	10,630,025	316,544	844,351	800,011	42,183	18,569,050

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

The schedules below summarize the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company was continuing to explore as at June 30, 2013 and December 31, 2012:

Acquisition Costs

	Argentina							
	Fronterra District $	**La Rioja $**	**Caballos $**	**Chinchillas $**	**Darmar $**	**Pescado $**	**Other $**	**Total $**
Balance – January 1, 2013	653,038	14,547	1,752	300,685	100,050	31,430	81,310	1,182,812
Additions								
Staking costs, land payments and acquisition costs	1,189	321	712	39,403	-	634	6,603	48,862
Balance – June 30, 2013	654,227	14,868	2,464	340,088	100,050	32,064	87,913	1,231,674

Exploration Expenditures

	Argentina						Chile	Total $
	Fronterra District $	**La Rioja $**	**Chinchillas $**	**Caballos $**	**Pescado $**	**Other $**	**Mogote $**	
Cumulative exploration expenses – January 1, 2013	4,326,553	1,605,670	3,010,078	272,934	844,042	548,398	13,325	10,621,000
Expenditures during the period								
Assays	-	-	161,435	249	-	762	-	162,446
Drilling	-	-	850,369	-	-	-	-	850,369
Geophysics and metallurgy	-	-	87,641	-	-	-	-	87,641
Office	-	34	212,073	3,559	-	11,671	-	227,337
Salaries and contractors	2,081	-	611,371	7,297	149	27,565	-	648,463
Supplies and equipment	-	-	257,133	29	-	783	-	257,945
Transportation	-	-	98,685	1,167	-	1,109	-	100,961
Statutory taxes	461	50	326,730	1,834	110	6,835	-	336,020
	2,542	84	2,605,437	14,135	259	48,725	-	2,671,182
Cumulative exploration expenses – June 30, 2013	4,329,095	1,605,754	5,615,515	287,069	844,301	597,123	13,325	13,292,182

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

(a) Chinchillas, Jujuy, Argentina

On August 3, 2011, the Company announced an option agreement ("Option Agreement") with a private group to acquire a 100% interest in the Chinchillas Silver Project located in Jujuy Province.

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

Option Payment USD $	Date
20,000	August 3, 2011 (paid)
80,000	February 3, 2012 (paid)
150,000	August 3, 2012 (paid)
250,000	August 3, 2013 (paid)
400,000	July 21, 2014
900,000	July 21, 2015
1,800,000	

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

On March 10, 2014, the Company announced the proposed issuance of the Company's common shares to a drilling company for drilling services pursuant to the terms of a shares for services agreement (the "Agreement") executed by the parties. Up to 15,000 meters of the 25,000 meter (82,000 feet) drilling program announced February 28, 2014 shall be paid for by issuing up to a total of 1,260,504 common shares of the Company subject to TSX Venture exchange approval. The issued shares will be escrowed pursuant to the terms of a voluntary escrow agreement, and will be released upon the earlier of the date of completion of the drilling services or the expiry of three years following the date of the Agreement.

See subsequent events (Note 12) for further information regarding the Chinchillas option and shares for services agreements.

(b) Fronterra District, Argentina

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

(c) Varitas, La Rioja, Argentina

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

(d) Mogote and Purulla Properties, Argentina

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

(Unaudited - Expressed in Canadian Dollars)

4. MINERAL PROPERTY INTERESTS (continued)

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

On June 18, 2012, Vale terminated its option on the Purulla project and on July 5, 2013, Vale terminated its option on the Mogote project.

(e) Caballos, La Rioja, Argentina

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

(f) Pescado, San Juan, Argentina

The Company owns a 100% interest in the Pescado Gold Project in San Juan Province, Argentina.

5. INVESTMENTS

At June 30, 2014, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	230,990	$17,324
Premier Royalty Inc. warrants ("Premier Royalty")	1,000,000	$1,250,000
		$1,267,324

At December 31, 2013, the Company held the following:

	Quantity	Fair Value
Iron South Mining Corp. common shares ("Iron South")	230,990	$6,930
Premier Royalty Inc. warrants ("Premier Royalty")	1,000,000	$1,250,000
		$1,256,930

The Company has designated its marketable securities in Iron South Mining Corp. as available-for-sale financial assets and accordingly, changes in fair value are recorded in other comprehensive loss in the period in which they occur. An unrealized gain of $11,549 was recorded for the three months ended June 30, 2014 (three months ended June 30, 2013 – unrealized loss of $3,465). An unrealized gain of $10,394 was recorded for the six months ended June 30, 2014 (six months ended June 30, 2013 – unrealized loss of 3,465).

In connection with the Company's sale of its 1% NSR on Yamana Gold Inc.'s Gualcamayo Gold mine to Premier Royalty Inc. ("Premier") during 2012, it received 1,000,000 warrants to purchase an aggregate of up to 1 million common shares of Premier at an exercise price per share equal to $2.52 per common share of Premier for a period of two years after the date of issue of the warrants (the "expiry date"). The Company will have the right (the "Put Right") on 30 days' notice to require Premier to acquire all warrants outstanding at the time for cancellation for a purchase price of $1.25 per warrant at any time prior to the expiry date for a total of $1,250,000 if all warrants are put to Premier.

5. INVESTMENTS (continued)

During 2013, all the issued and outstanding common shares of Premier were acquired by Sandstorm Gold Ltd. ("Sandstorm") and as a result of the acquisition, the Company is entitled to exercise its 1,000,000 warrants of Premier to purchase 145,000 common shares of Sandstorm. Sandstorm has also acquired the Put Right obligation in favor of the Company as a result of its acquisition of Premier.

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

See subsequent events (Note 12) for further information.

6. CAPITAL AND RESERVES

Authorized Share Capital

At June 30, 2014, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued Share Capital

At June 30, 2014, the issued share capital comprised 40,823,655 common shares (December 31, 2013 – 41,587,155).

Details of Common Share Repurchases in 2014 and 2013

On November 19, 2013, the TSX Venture Exchange (the "Exchange") accepted a notice of intention whereby the Company made a Normal Course Issuer Bid ("NCIB") to purchase its own common shares for cancellation through the facilities of the Exchange at the prevailing market price. The number of common shares purchased by the Company was in no event to be in excess of 5% of the issued and outstanding common shares, such amount not to exceed 1,000,000 common shares of the 41,823,655 issued and outstanding at the date the NCIB commenced.

During 2014, the Company acquired 763,500 (2013 – 236,500) of its own common shares for an aggregate purchase price of $174,143 (2013 - $48,005) and common share repurchase costs of $1,909 (2013 - $591).

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.

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.

(Unaudited - Expressed in Canadian Dollars)

6. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the period ended June 30, 2014 is as follows:

Expiry date	Exercise Price	December 31, 2013	Granted	Exercised	Expired/ Forfeited	June 30, 2014	Options exercisable
May 7, 2014	$0.35	1,295,000	-	-	(1,295,000)	-	-
March 31, 2015	$0.36	100,000	-	-	-	100,000	100,000
April 22, 2015	$0.36	150,000	-	-	-	150,000	150,000
October 1, 2015	$0.35	835,000	-	-	-	835,000	835,000
October 29, 2015	$0.38	75,000	-	-	-	75,000	75,000
November 4, 2015	$0.40	820,000	-	-	-	820,000	820,000
November 25, 2015	$0.32	150,000	-	-	-	150,000	150,000
June 24, 2017	$0.30	50,000	-	-	-	50,000	50,000
November 25, 2017	$0.32	200,000	-	-	-	200,000	200,000
November 29, 2017	$0.31	200,000	-	-	-	200,000	200,000
May 28, 2018	$0.35	200,000	-	-	-	200,000	200,000
March 25, 2019	$0.35	-	2,505,000	-	-	2,505,000	2,392,500
April 16, 2019	$0.35	-	380,000	-	-	380,000	267,500
April 30, 2019	$0.35	-	20,000	-	-	20,000	20,000
		4,075,000	2,905,000	-	-	5,685,000	5,460,000
Weighted average exercise price $		0.36	0.35	-	-	0.35	0.37
Weighted average contractual remaining life (years)		1.66	4.75	-	-	3.30	3.24

The continuity of share purchase options for the period ended June 30, 2013 is as follows:

Expiry date	Exercise Price	December 31, 2012	Granted	Exercised	Expired/ Forfeited	June 30, 2013	Options exercisable
August 4, 2013	$0.31	75,000	-	-	-	75,000	75,000
May 7, 2014	$0.35	1,395,000	-	-	(100,000)	1,295,000	1,295,000
March 31, 2015	$0.36	100,000	-	-	-	100,000	100,000
April 22, 2015	$0.36	150,000	-	-	-	150,000	150,000
October 1, 2015	$0.35	885,000	-	-	(50,000)	835,000	835,000
October 29, 2015	$0.38	75,000	-	-	-	75,000	75,000
November 4, 2015	$0.40	820,000	-	-	-	820,000	820,000
November 25, 2015	$0.32	150,000	-	-	-	150,000	150,000
June 24, 2017	$0.30	50,000	-	-	-	50,000	50,000
November 25, 2017	$0.32	200,000	-	-	-	200,000	200,000
November 29, 2017	$0.31	200,000	-	-	-	200,000	200,000
May 28, 2018	$0.35	-	200,000	-	-	200,000	200,000
		4,100,000	200,000	-	(150,000)	4,150,000	4,150,000
Weighted average exercise price $		0.36	0.35	-	0.35	0.36	0.36
Weighted average contractual remaining life (years)		2.46	4.91	-	-	2.13	2.13

(Unaudited - Expressed in Canadian Dollars)

6. CAPITAL AND RESERVES (continued)

The weighted average fair value of share purchase options granted during the six months ended June 30, 2014 is $0.11 (2013 - $0.15). 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:

	Six months ended June 30,	
	2014	2013
Risk-free interest rate	1.47%	1.35%
Expected option life in years	3.6	3.8
Expected share price volatility	82%	82%
Grant date share price	$0.23	$0.275
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

7. RELATED PARTY BALANCES AND TRANSACTIONS

On April 1, 2010, the Company entered into a Management Services Agreement ("Agreement") with Grosso Group to provide services and facilities to the Company. Grosso Group 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. The initial fee based on expected usage was $50,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expired on December 31, 2012 and was automatically renewed for a period of two years pursuant to the terms of the Agreement. The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Transactions	$	$	$	$
Services rendered:				
Grosso Group Management Ltd.				
Administration and management services(1)	101,400	57,000	164,400	137,100
Rent, parking and storage(1)	51,600	54,000	106,200	105,000
Office & sundry(1)	25,500	19,500	64,200	51,000
Total for services rendered	178,500	130,500	334,800	293,100

(1) Included in the Consolidated Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2014 and 2013.

7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Mr. Joseph Grosso

Mr. Joseph Grosso, a director and officer of the Company, received share-based benefits of $55,298 for the six months ended June 30, 2014 (six months ended June 30, 2013 - $Nil).

Oxbow International Marketing Corp. ("Oxbow") is a private company controlled by Mr. Joseph Grosso. For the three months ended June 30, 2014, Oxbow was paid $31,250 (three months ended June 30, 2013 - $31,250) for management consulting services. For the six months ended June 30, 2014, Oxbow was paid $62,500 (six months ended June 30, 2013 - $62,500) for management consulting services. Amounts paid to Oxbow are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

Mr. Nikolaos Cacos

Mr. Nikolaos Cacos, a director of the Company, received share-based benefits of $22,120 for the six months ended June 30, 2014 (six months ended June 30, 2013 - $Nil).

Cacos Consulting Ltd. ("Cacos Consulting") is a private company controlled by Mr. Nikolaos Cacos. For the three months ended June 30, 2014, Cacos Consulting was paid $30,000 (three months ended June 30, 2013 - $30,000) for management consulting services. For the six months ended June 30, 2014, Cacos Consulting was paid $60,000 (six months ended June 30, 2013 - $60,000) for management consulting services. Amounts paid to Cacos Consulting are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

Dr. David Terry

Dr. David Terry, a director and former officer to the Company, was paid directors and audit committee chair fees of $4,000 for the three months ended June 30, 2014 (three months ended June 30, 2013 - $3,000). Dr. David Terry was paid directors and audit committee chair fees of $8,000 for the six months ended June 30, 2014 (six months ended June 30, 2013 - $6,000) and received share-based benefits of $11,060 for the six months ended June 30, 2014 (six months ended June 30, 2013 - $Nil).

Vinland Holdings Ltd. ("Vinland") is a private company controlled by Dr. David Terry. For the three months ended June 30, 2014, Vinland was paid $1,125 (three months ended June 30, 2013 - $4,950) for geological services. For the six months ended June 30, 2014, Vinland was paid $5,625 (six months ended June 30, 2013 - $4,950) for geological services. Amounts paid to Vinland are classified as administration and management services in the consolidated statements of loss and comprehensive loss.

At June 30, 2014, the Company had $2,453 (June 30, 2013 - $6,950) included in accounts payable and accrued liabilities to Vinland.

Mr. Louis Salley

Mr. Louis Salley, a director of the Company, was paid directors fees of $3,000 for the three months ended June 30, 2014 (three months ended June 30, 2013 - $Nil). Mr. Louis Salley was paid directors fees of $6,000 for the six months ended June 30, 2014 (six months ended June 30, 2013 - $Nil) and received share-based benefits of $16,589 for the six months ended June 30, 2014 (six months ended June 30, 2103 - $Nil). Amounts paid to Mr. Louis Salley are classified as salaries and employee benefits in the consolidated statements of loss and comprehensive loss.

(Unaudited - Expressed in Canadian Dollars)

7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Salley Bowes Harwardt Law Corp. ("Salley Bowes Harwardt") is a private company of which Mr. Louis Salley is an owner. For the three months ended June 30, 2014, Salley Bowes Harwardt was paid $10,611 (three months ended June 30, 2013 - $15,964) for legal services. For the six months ended June 30, 2014, Salley Bowes Harwardt was paid $32,059 (six months ended June 30, 2013 - $37,304) for legal services. Amounts paid to Salley Bowes Harwardt are classified as professional fees in the consolidated statements of loss and comprehensive loss.

At June 30, 2014, the Company had $10,611 (June 30, 2013 - $16,710) included in accounts payable and accrued liabilities to Salley Bowes Harwardt.

Mr. John Gammon

Mr. John Gammon, a director of the Company, was paid directors fees of $3,000 for the three months ended June 30, 2014 (three months ended June 30, 2013 - $3,000). For the six months ended, Mr. John Gammon was paid directors fees of $6,000 (six months ended June 30, 2013 - $6,000) and received share-based benefits of $8,295 for the six months ended June 30, 2014 (six months ended June 30, 2103 - $Nil).

Key management personnel compensation

	Three months ended June 30, 2014				Three months ended June 30, 2013			
Compensation	Salaries $	Share-based benefits $	Other $	Total $	Salaries $	Share-based benefits $	Other $	Total $
Chief Executive Officer	31,250	-	-	31,250	52,083	-	62,500(1)	114,583
Chief Financial Officer	14,000	9,717	-	23,717	12,000	14,629	-	26,629
Total	45,250	9,717	-	54,967	64,083	14,629	62,500	141,212

	Six months ended June 30, 2014				Six months ended June 30, 2013			
Compensation	Salaries $	Share-based benefits $	Other $	Total $	Salaries $	Share-based benefits $	Other $	Total $
Chief Executive Officer	62,500	55,298	-	117,798	93,750	-	62,500(1)	156,250
Chief Financial Officer	26,000	9,717	-	35,717	27,495	14,629	160,378(2)	205,502
Total	88,500	65,015	-	153,515	121,245	14,629	222,878	358,752

(1) Includes a severance payment of $62,500 to the former Chief Executive Officer during the three and six months ended June 30, 2013.

(2) Includes a one-time performance bonus of $50,000 and a severance payment of $110,378 paid to the former Chief Financial Officer during the six months ended June 30, 2013.

(Unaudited - Expressed in Canadian Dollars)

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2014 and 2013 was based on the following:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Loss attributable to common shareholders ($)	2,998,812	1,761,366	4,996,213	4,270,372
Weighted average number of common shares outstanding	40,827,682	41,823,655	41,028,265	41,823,655

Diluted loss per share did not include the effect of 5,685,000 (2013 – 4,150,000) share purchase options as they are anti-dilutive.

9. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the period ended June 30, 2014.

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

	Argentina	
	June 30, 2014	December 31, 2013
Mineral property interests ($)	1,596,061	1,548,230
Property and equipment ($)	51,615	81,088
	1,647,676	1,629,318

10. COMMITMENTS

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	495,000	-	-	-	-

Management Services Agreement

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is $82,500 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

(Unaudited - Expressed in Canadian Dollars)

10. COMMITMENTS (continued)

Chinchillas Option Agreement

Under the terms of the Chinchillas Option Agreement, signed August 3, 2011, Golden Arrow may acquire a 100% interest in the Chinchillas project by making additional cash payments to the vendor totaling $1.3 million over the next two years, as shown below:

Option Payment USD $	Date
400,000	July 21, 2014
900,000	July 21, 2015
1,300,000	

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

See subsequent events (Note 12) for further information.

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

(a) Fair Values

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

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

At June 30, 2014 the Company’s financial instruments measured at fair value are as follows:

		Level 1	Level 2	Level 3
		$	$	$
	Carrying amount June 30, 2014	Fair value June 30, 2014		
Recurring measurements				
Financial Assets				
Warrant derivative assets	1,250,000	-	-	1,250,000
Marketable securities	17,324	17,324	-	-

(Unaudited - Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

At December 31, 2013 the Company's financial instruments measured at fair value are as follows:

	Carrying amount December 31, 2013	Level 1 $	Level 2 $	Level 3 $
		Fair value December 31, 2013		
Recurring measurements				
Financial Assets				
Warrant derivative assets	1,250,000	-	-	1,250,000
Marketable securities	6,930	6,930	-	-

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

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

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

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

	Three months ended June 30, 2014 $	Three months ended June 30, 2013 $	Six months ended June 30, 2014 $	Six months ended June 30, 2013 $
Marketable securities, beginning of period	5,775	11,550	6,930	11,550
Purchase of marketable securities	929,922	-	1,813,295	-
Disposition of marketable securities	(1,095,396)	-	(2,209,517)	-
Foreign exchange gain on marketable securities	184,111	-	439,761	-
Realized (loss) on marketable securities	(18,637)	-	(43,539)	-
Unrealized gain (loss) included in other comprehensive income	11,549	(3,465)	10,394	(3,465)
Marketable securities, end of period	17,324	8,085	17,324	8,085

(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, share purchase warrants and amounts receivable. The majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal.

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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

Liquidity risk

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

Market risk

(i) Currency risk

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

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $61,775.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $48,950.

(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.

(iii) Capital Management

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

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

(Unaudited - Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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

12. SUBSEQUENT EVENTS

Amended Option Agreement

On July 11, 2014, the Option Agreement for the Chinchillas Silver Project (see Note 4(a)) was amended to allow for an extension of the 3rd year option payment in consideration for USD $6,000 to be paid monthly until the remaining USD $250,000 is paid.

Under the terms of the Option Agreement, as amended, the Company may acquire a 100% interest in the Chinchillas project by making the remaining cash payments to the vendor totaling USD $1.366 million over the next two years, as shown below:

Option Payment USD $	Date
150,000	July 21, 2014
6,000	August 21, 2014
6,000	September 21, 2014
6,000	October 21, 2014
6,000	November 21, 2014
6,000	December 21, 2014
6,000	January 21, 2015
6,000	February 21, 2015
6,000	March 21, 2015
6,000	April 21, 2015
6,000	May 21, 2015
6,000	June 21, 2015
250,000	July 6, 2015
900,000	July 21, 2015
1,366,000	

On July 21, 2014, the Company paid USD $150,000 in accordance with its amended option agreement on the Chinchillas Silver Project located in Jujuy, Argentina.

The Company has the option at any time during the period to pay the remaining 3rd year option payment of USD $250,000 without incurring any additional monthly amounts.

Exercise of Put Right Option

On July 18, 2014, in connection with the Company's sale of its 1% NSR on Yamana Gold Inc.'s Gualcamayo Gold mine to Premier Royalty Inc., the Company exercised its put right with Sandstorm Gold Inc. to acquire all warrants outstanding for cancellation for a total of $1,250,000.

12. SUBSEQUENT EVENTS (continued)

Issuance of Shares for Services

On August 15, 2014, pursuant to the terms of a shares for services agreement (the "Agreement"), the Company has obtained TSX Venture Exchange approval to issue 336,134 common shares of the Company as payment for completion for certain drilling services. The issued shares will be escrowed pursuant to the terms of a voluntary escrow agreement, and will be released upon the date of completion of the drilling services or the expiry of three years following the date of the Agreement.