

GOLDEN ARROW RESOURCES

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I've had my eye on Golden Arrow Resources for many months now, but have been waiting for the tax selling season in the hope that it would provide us with an attractive entry point.

My patience has been rewarded, as the market is delivering exactly that entry point; the stock is currently trading on the low end of its 52-week range.

More to the point, Golden Arrow fits the mold of near-term production stories that I think will perform well in the new year, assuming the precious metals markets play out like I expect.

The company holds a vast footprint in Argentina, with a property position that spans more than 200,000 hectares. But the key holding in its portfolio is its 25% interest in Puna Operations, a joint venture with long time Gold Newsletter constituent **SSR Mining** (SSRM.Nasdaq; SSRM.TO; US\$8.31), the updated moniker for Silver Standard Resources.

The JV with SSR includes current production from stockpile mining at its Pirquitas mine. More importantly, it includes a plan to extend the mine life at Pirquitas by trucking ore from the companies' now-shared Chinchillas silver-lead-zinc project.

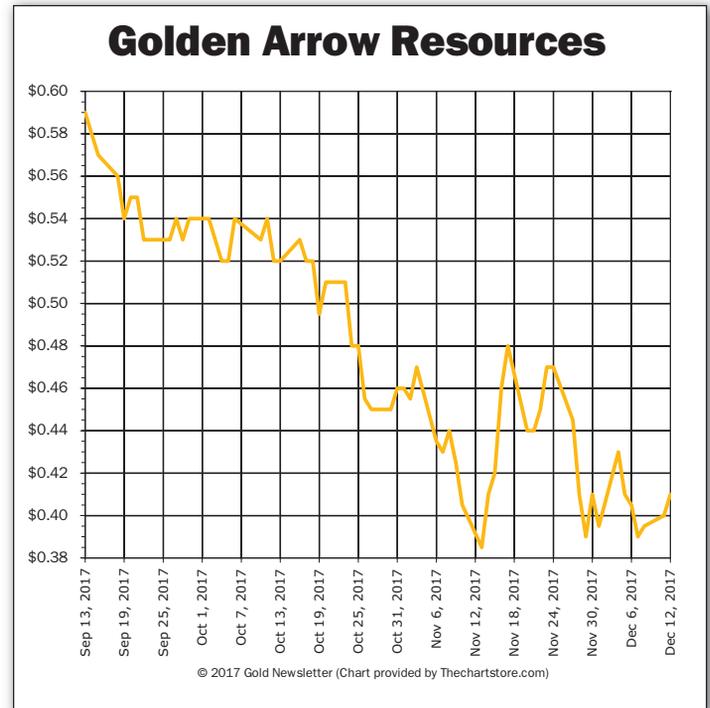
Located 45 kilometers north-northeast of Pirquitas, Chinchillas hosts 81 million ounces of silver-equivalent reserves that are part of a 140-million-ounce silver-equivalent measured and indicated resource. The project contains another 63 million silver-equivalent ounces of inferred resources.

Golden Arrow is already enjoying cash flow from its 25% interest in Puna, as Pirquitas produced 1.5 million ounces of silver in Q3 2017 and has produced five million ounces year-to-date. Better still, the mill is operating at 5,012 tonnes-per-day, or 25% more than the mill's nominal throughput.

This latter point is a critical potential catalyst for Golden Arrow, as the pre-feasibility study generated on Chinchillas is based on the mill at Pirquitas processing at a 4,000-tpd rate.

Even at that conservative production rate, the study's economics demonstrate that it can be a significant source of cash flow for Golden Arrow. The mining operation at Chinchillas should commence in the second half of 2018 and come with a post-tax NPV (discounted at 5%) of \$178 million and a post-tax IRR of 29.1%.

That's based on an eight-year mine life and average annual metal production of 6.1 million ounces of silver, 35.0 million pounds of lead and 12.3 million pounds of zinc. All-in sustaining costs, net of by-product credits, are anticipated to run \$9.75/ounce.



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Not only could additional drilling convert more of the measured and indicated resources to reserves, but there's also an opportunity for a small, high-grade underground operation at Pirquitas to boost the economics of the ore mined at Chinchillas.

Golden Arrow plans to use the funds from operations at Pirquitas and Chinchillas to make additional property acquisitions in Argentina. It also plans to spin out its large exploration portfolio into a separate company in early 2018, so shareholders who buy in before this event will get to participate in that portfolio's considerable upside.

As I said, near-term production stories like this one are likely to do well in the precious metals market I see developing in the new year. With the market providing a discount courtesy of tax-selling season and the Fed's current machinations, now is a good time to build a position in this well-managed company.

It's a buy.

Golden Arrow Resources Corp.

Recent Share Price:C\$0.46
 Shares Outstanding:98.2 million
 Market Cap:C\$45.2 million
 Shares Outstanding
 Fully Diluted:114.5 million
 Market Cap
 Fully Diluted:C\$52.7 million

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