

GOLDEN ARROW RESOURCES CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Introduction

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Golden Arrow Resources Corporation ("Golden Arrow" or "the Company") for the three and nine months ended September 30, 2011 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("GAAP" or "IFRS"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's 2010 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's IFRS transition date was January 1, 2010, 2009 comparative information included in this MD&A has not been restated. All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of November 17, 2011.

Company Overview

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

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

Principal Properties

Argentina

Net Smelter Royalty with Yamana

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

For the three months ended September 30, 2011, the Company earned \$560,307 (USD \$571,428) in royalty revenue from Yamana. For the nine months ended September 30, 2011, the Company earned \$1,606,674 (USD \$1,642,648) in royalty revenue from Yamana. As at September 30, 2011, \$598,971 (USD \$571,428) (December 31, 2010 – \$460,361 (USD \$462,860)) is included in royalty receivable. For the three months ended September 30, 2010, the Company earned \$453,444 (USD \$431,972) in royalty revenue from Yamana. For the nine months ended September 30, 2010, the Company earned \$1,144,676 (USD \$1,105,374) in royalty revenue from Yamana.

Chinchillas, Jujuy

On August 3, 2011 the Company announced an option agreement ("Option Agreement") with a private group to acquire a 100% interest in the 979ha Chinchillas Silver Project located in Jujuy Province. Chinchillas is an advanced stage project with 14 drill holes completed of which 11 holes cut potentially economic mineralized intercepts.

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; \$20,000 was paid on signing and a further \$80,000 is due by the 6 month anniversary. Furthermore the Company must make an additional payment of \$1.2 million to the vendor upon the commencement of commercial production.

Timing	Cash Payments (\$US)
On Signing	\$20,000
By 6th Month Anniversary*	\$80,000
By 1st Anniversary	\$150,000
By 2nd Anniversary	\$250,000
By 3rd Anniversary	\$400,000
By 4th Anniversary	\$900,000
Total	\$1,800,000

Highlight intercepts from the previous drilling at Chinchillas include:

- 112m at 85.5 g/t AgEQ* (silver equivalent), including 44m at 110 g/t AgEQ* in CH-1
- 14m at 8.06% Zn in CH-6
- 20m at 183.1 g/t Ag and 8m at 228.8 g/t Ag in CHD-15

**Silver Equivalents (AgEQ) were calculated using US\$ 40/oz for Silver, US\$ 1.20/lb for lead and US\$1.10/lb for Zn; metallurgical recoveries and net smelter returns are assumed to be 100%. **True width of the intercepts is not known*

The Chinchillas project is located in the prolific Bolivian silver--zinc-tin belt which extends into northern Argentina. The Company believes that Chinchillas has the potential to host a large silver+/- zinc+/-lead deposit. Similar projects in the district include Silver Standard Resources Inc.'s Pirquitas mine which produced 6.3Moz silver produced in 2010 and reported 195.1 Moz P&P Reserves at 200 g/t Ag (Silver Standard website) which is located 30km southwest of Chinchillas.

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

A total of 2,996m in 14 holes (7 RC and 7 diamond holes) have been drilled by two previous operators within a 1km by 0.4km area in the north-central portion of the property. This drilling tested 5 main mineralized targets, listed below, which now require detailed infill and expansion drilling.

1. Socayon del Diablo. A hydrothermal Ag-Zn-Pb diatreme breccia, approximately 70m in diameter.
2. Silver Manto. Near surface zone (0-100m) in the western basin with several high grade silver intercepts interpreted as a possible flat-lying breccia zone.
3. Silver Deep. Below Silver Manto CHD-16 cut a 10m zone averaging 176.2 g/t AgEQ* at 240m depth.
4. Zinc Zone. Hole CH-6, located in the center of the property between Socayon del Diablo and Silver Manto, cut high grade zinc, with 14m @ 8.06% Zn.
5. Potrero Tunnel. Ag-Zn-Pb brecciated and mineralized Paleozoic sediments at margin of Dome complex.

The Company is currently proceeding with community relations work, permitting and securing a drill rig for an initial drill program on the property.

The historical project information reported above for the Chinchillas property was supplied to the Company by the property vendor and was not collected by Golden Arrow and should therefore be considered historical in nature. It has been reviewed by Bruce Smith, Chartered Professional AUSIMM, Golden Arrow's Exploration Manager and a Qualified Person, and by Dr. David A. Terry, P.Geo., director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101, and the work is believed to have been carried out in a professional manner. The Company has conducted a due diligence site visit, including collection of surface confirmation samples. RC holes CH-1 to CH-7 were completed in 1996 by Aranlee Resources and diamond holes CHD-10 to CHD-16 were completed by Silex Argentina S.A., a subsidiary of Golden Minerals Company (formerly Apex Silver Mines Limited), in 2007-2008. No QAQC data is available for the RC drillholes but a QAQC program and raw data for the Silex diamond holes was reviewed by the Company and no issues identified. Based on the historical and preliminary nature of the drilling carried out to date on the Chinchillas project, no estimation of the true thickness of the recorded mineralized intercepts is possible at this time.

Fronterra District, San Juan

Golden Arrow has five 100% owned exploration properties in the Fronterra mining district of San Juan Province where Barrick Gold Corporation's Veladero and Pascua Lama deposits are located. The Company's two most advanced properties are Potrerillos and Rio de las Taguas, located approximately 8km east of Veladero and Pascua Lama, respectively. Potrerillos has been the focus of the Company's recent activity in the area.

Potreriillos

The 4,000 ha Potrerillos property covers 4,000 hectares north of the Despoblado flats and east of the Rio de las Taguas in northwest San Juan province, Argentina. Elevations range from 4,000 metres to over 5,100 metres in the northeast corner of the property. Access to most parts of the property is possible using 4WD trucks from the Veladero-Lama and El Toro roads. Geologic work is practical during the southern summer between the months of November and April.

The Potrerillos property is located approximately 8 km due east of Barrick Gold's Veladero deposit and shares many geologic similarities with both Veladero and Pascua-Lama. A number of exploration campaigns were carried out on behalf of Golden Arrows precursor company during 1999, 2000, and 2001; these resulted in the delineation of three significant target areas; Fabiana, Narelle and Panorama. Most work was focussed on Fabiana and a short RC drill program was carried out on the Fabiana Zone in 2001 with no significant results. A data review and field visit to these properties was carried out in late 2008. No work was carried out during 2009. A surface sampling program was carried out in Q2 2010. The Company commenced a comprehensive exploration program in Q4 2010 that continued through Q1 2011, focusing on the Panorama Zone.

The Company announced on June 6, 2010 the results of its recent exploration programs on Potrerillos that were focused on the central Panorama Zone where only limited prior sampling had been carried out. A total of 103 rock chip samples were collected, of which 14 had values over 1 g/t gold, or 100g/t silver or 1% copper. Grades ranged up to 8.4 g/t gold, 1000 g/t silver and 6.2 % copper. Mineralization is associated with elevated As-Ba-Mn-Mo-Pb-Zn. Subsequent to the end of 2010 the Company announced on January 10, 2011 results from 119 rock chip samples from Potrerillos and delineation of three main styles of mineralization including:

- **The Panorama Veins** occur within an area approximately 1km long by 500m wide. Veta Juliet, one of several recently discovered veins, is 3.7m wide where exposed, and has been traced on surface for over 100 meters; a rock chip sample collected across the main outcrop grades 7.96 g/t Au and 665 g/t Ag over 2m.
- **Las Bandas** are a series of very large gold-silver bearing "bands" or veins that have been traced over a strike length of approximately 1km. Outcrop exposures range from 12 to 20m wide and contain significant gold-silver mineralization with select grab samples grading up to 3.07 g/t gold and 441 g/t silver.
- **Copper South** is a series of discrete copper-silver occurrences located in a 2.5km by 1.2km area. Copper grades from selectively collected samples can be exceptionally high; for example a 1m chip returned 17.4% Cu and 38 g/t Ag. The zones are typically 2 to 10 meters wide, by several hundred meters long.

On March 21, 2011 the Company released additional results from +300 rock chip samples collected from the Panorama Veins, Las Bandas and a new zone, Plata Alta, covering a combined strike length of 2.2 km. Highlights included: T25 on the southern extension of Las Bandas where a 4m composite chip sample averaged 2.53 g/t gold and 213 g/t silver and high-grade rock chip samples from narrow veins grading up to 8.55 g/t gold and 2,995 g/t silver from Plata Alta.

Golden Arrow reported highlights of results on April 11, 2011 from 420 rock chip samples and 382 talus fines collected from the Copper South target, which covers the southern extension of the Panorama Ridge over 3.5km in the southern part of the Potrerillos. Highlights included:

- An average of 498 g/t silver and 7.8% copper over 9m from a series of chip samples collected obliquely across a mineralized structure at Sol Ridge adjacent to the northwest-southeast trending regional Pascua Lama mega-structure.
- At Filo Verde, near the southern end of the property, a 1.5km by 0.5km copper in talus fines anomaly(>50ppm Cu up to a maximum of 149ppm Cu) is widening and open to the southeast. The anomaly is co-incident with a dipolar magnetic high, defined by recent ground surveys, suggesting magnetic intrusive bodies underlie the Filo Verde ridge

On May 27, 2011 the Company released results from the previously announced drilling program. Only 508m in 3 diamond drill holes were completed of the planned 10 hole 3,000m program as a result of challenging weather and drilling conditions. The completed holes all stopped short of planned depth and many drill targets remain untested by drilling.

The completed 2011 holes were drilled on the Las Bandas- Panorama Veins target area, which together have a strike length of 2.6km.

- **POT1 2011:** drilled to 277m total depth targeting Panorama Veins. Anomalous gold and silver mineralization were intersected between 23m-40m within silica veins and silicified breccias in andesite. The mineralized interval included 1m at 1.14 g/t Au and 3.94 g/t Ag (32m-33m) and 1m at 1.57 g/t Au and 145.86 g/t Ag (39m-40m).
- **POT2 2011:** drilled to 130m total depth targeting Las Bandas. From 95m-103m the hole cut 8m averaging 0.25 g/t Au and 31.21 g/t Ag within an interval of drusy quartz-calcite stockwork veinlets hosted by silicified andesite.
- **POT3 2011:** drilled to 100.5m total depth targeting Las Bandas. From 62m-65m the hole cut 3m averaging 0.01 g/t Au and 131.90 g/t Ag hosted by quartz calcite veinlets at the thrust contact between andesite volcanics and overlying rhyolites.

Analyses of the samples referred to above were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. The technical information for Potrerillos has been prepared by Bruce Smith, AUSIMM, Golden Arrow's Exploration Manager and a Qualified Person, and has been reviewed by Dr. David A. Terry, P.Geo., director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101.

Mogote, San Juan

On June 3, 2009, the Company announced that it had entered into a binding property transfer agreement to acquire from Panthera 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 terms of the property transfer agreement are detailed under the Peru Property section. This transaction received shareholder approval on July 22, 2009 and regulatory approval July 29, 2009. The Mogote project is strategically-located in the Vicuna District of northern San Juan Province which includes NGEx Resources Inc's Josemaria copper-gold deposit in Argentina and Goldcorp Inc. / New Gold's El Morro gold-copper porphyry in Chile.

Recent re-interpretation of prior exploration results has in Management's view enhanced the potential of the Zona Colorida target located to the south of the Filo Este and Filo Central targets where prior drilling intersected wide intervals of copper-gold-silver mineralization. In order to adequately cover the target, the Company recently applied for additional claims totaling 3,150 hectares on the Chilean side of the international border adjacent to Mogote.

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 copper-gold-silver porphyry/epithermal project in San Juan Province and its Purulla copper-moly porphyry project in Catamarca Province, Argentina which is described below.

Under the terms of the option agreement Vale can earn an initial 70% interest in the projects by completing USD \$6.8 million in exploration expenditures and making USD \$2.8 million in cash payments to Golden Arrow over 3 years,

Date	Cash Payments USD \$	Exploration Expenditures USD \$
By September 2, 2011	100,000 (received)	800,000
By September 2, 2012	200,000	2,000,000
By September 2, 2013	2,500,000	4,000,000
	2,800,000	6,800,000

In addition, Vale will make underlying vendor payments of USD \$1.025 million related to the Purulla project. If Vale elects to drop one of the two properties during the option, the overall terms will remain the same with the exception that if Purulla is dropped Vale will no longer be responsible for making the underlying vendor payments. Vale has the option to increase its interest to 85% by funding and delivering a Feasibility Study within a further 3 year period. Subsequently Vale will have the option for a further 2 years to purchase Golden Arrow's remaining

15% interest in the project for fair market value. Golden Arrow will retain a 1.5% Net Smelter Royalty (NSR) of which Vale will have the option to purchase 0.5% for USD \$7.0 million. Vale will be the operator during the term of the option. The exploration programs will be decided upon by a management committee comprised of one representative from each company. The option agreement includes a firm commitment by Vale to complete USD \$800,000 in exploration expenditures and make USD \$125,000 in vendor payments during the first year.

On September 14, 2011 the Company announced it received from Vale the \$US 100,000 option payment required to be made by the first anniversary of the option agreement. Vale also informed the Company that during the first year program on Mogote it completed detailed lithological and alteration mapping on the Zona Colorida and Stockwork Hill zones, rock sampling, petrography and PIMA work as well as 40 lines of geophysics including 32km of IP, 180km of ground magnetics, 51km of radiometrics and 170km of digital GPS surveying. The geophysical surveys covered the central and a portion of the southern Mogote property. A detailed report on the work carried out during the 2010-2011 field program on Mogote is awaited. Vale is planning further geophysical surveys in the northern (Filo Este & Filo Central Targets) and southeastern part (Stockwork Hill target) of the property during the upcoming field season as well as an intensive drilling campaign of over 4,000 meters designed to test selected targets.

Purulla Project, Catamarca

On November 6, 2009, the Company announced it entered into an option agreement with a private Argentinean claim owner to earn an undivided 100% interest in the Purulla Porphyry Copper-Molybdenum (Cu-Mo) Project in Catamarca Province, Argentina. The Purulla Project includes two licenses totaling 5,000ha.

The agreement requires the Company to make payment of USD \$100,000 on signing (paid) and further payments totaling USD \$1,025,000 over the next three years to acquire 100% of the properties as follows:

Option Payment US \$	Date
125,000	October 20, 2010 (paid)
200,000	October 20, 2011 (paid)
700,000	October 20, 2012
1,025,000	

The Purulla Cu-Mo porphyry property is located within a prominent NW-SE trending structural corridor along which several large Miocene-aged copper porphyries occur in NW Argentina and Chile. The project covers a 1,000m by 300m zone of leached quartz-iron oxide stockwork with intense argillic alteration and anomalous Mo-Cu within a broader zone of alteration. This alteration zonation, along with IP chargeability anomalies identified at depth, are consistent with the presence of a porphyry Cu-Mo system with potential for a significant supergene-enriched Cu zone at depth. The property is drill-ready with permits and targets for a 2011 drill program. As discussed above, the Company has entered into an option agreement on the property with Vale who recently carried out a geochemical sampling program (results are pending) and is preparing to commence a ground geophysical survey.

Don Bosco, La Rioja

On June 1, 2011 the Company announced it had acquired by staking a 100% interest in the 32,800ha Don Bosco property in western La Rioja Province, Argentina.

The Don Bosco Project includes historical copper and gold prospects and newly-discovered high-grade mineralized zones identified by the Company's reconnaissance team. Golden Arrow has completed several prospecting/sampling campaigns on Don Bosco to date. In total 187 reconnaissance rock chip samples have been collected from three distinct target areas. Highlights for each zone include:

- El Pircarda 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 Don Bosco property is located in the Pre-Cordillera region and elevations range from 2,500m to 3,500m above sea level. Work can be conducted all year round and a paved highway allows easy access to the southern part of the property. A field camp has been established and intensive sampling and mapping surveys are being carried out on the property. Initial work is focussed on delineating the grade and dimensions of mineralized zones, and on discovering new prospects, with the aim of defining priority drill targets.

Analyses of the hand surface samples were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. The work on Don Bosco was supervised by Bruce Smith, AUSIMM, Golden Arrow's Exploration Manager and a Qualified Person, and has been reviewed by Dr. David A. Terry, P.Geol., Director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101.

Caballos, La Rioja

Golden Arrow announced on September 8, 2011 it has acquired through staking the 22,900 ha Caballos property, 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/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:

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

Golden Arrow plans to establish a field camp at the Caballos property in October to support intensive sampling, mapping and geophysical surveys on the property aimed at delineating targets for drill testing later in the exploration season.

Analyses of the hand surface samples were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. Work on the Caballos project was overseen by Bruce Smith, Chartered Professional MAusIMM Geologist, Golden Arrow's Exploration Manager and a Qualified Person, and has been reviewed by Dr. David A. Terry, P.Geol., director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101.

Varitas, La Rioja

The Company announced on October 6, 2010 its prospecting team had discovered a new high-grade polymetallic (gold-silver-copper-lead-zinc) structurally-controlled vein/stockwork target named Varitas in southern La Rioja Province, Argentina, 65km north-northwest of Yamana Gold Inc.'s 3.51 million ounce Gualcamayo gold mine. A 4,900 hectare concession was staked to cover the target.

From an initial batch of 57 reconnaissance rock chip samples collected from several locations along 4km of strike from mineralized structures, the 18 most mineralized samples averaged 4.40 g/t Au, 183 g/t Ag, 0.22% Cu, 3.46% Pb and 1.82% Zn. The highest reported grades were 9.92 g/t Au, 1,575 g/t Ag, 1% Cu, 22% Pb and 18% Zn. Further prospecting and sampling is planned for the property in 2011.

Analyses of the samples from Varitas were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. The technical information contained in this release has been prepared by Bruce Smith, AUSIMM, Golden Arrows Exploration Manager and a Qualified Person, and has been reviewed by Dr. David A. Terry, P.Geol., director and Vice President Exploration for Golden Arrow, and a Qualified Person as defined in National Instrument 43-101.

Pescado Gold Project, San Juan

The Company holds four mineral claims in the Gualcamayo area of San Juan: Sierra Pescado I, Sierra Pescado II, Durazno and Yanso. These 100% owned claims cover approximately 18,000ha and form the Pescado Gold Project.

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

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

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

On June 22, 2011 the Company announced it had entered into a letter agreement with Coronation Resources Limited whereby Coronation may earn an initial 60% interest in the Pescado project by issuing 1.7 million shares to Golden Arrow and completing US \$2.5 million in exploration expenditures on the project over four years following the schedule laid out below. Coronation may earn an additional 15% interest in the project by subsequently sole-funding a feasibility study on the project. After a Joint Venture is formed if one party does not contribute funds to approved programs it will be diluted on a straight-line basis. Once a party reaches 10% their interest will convert to a 2.0% NSR.

Timing	Shares Issued to GRG	Exploration Expenditures
On Listing	300,000	-
By 1st Anniversary	300,000	\$200,000
By 2nd Anniversary	300,000	\$500,000
By 3rd Anniversary	300,000	\$800,000
By 4th Anniversary	500,000	\$1,000,000
Totals	1,700,000	\$2,500,000

Analyses for the samples collected at the Pescado Gold Project were performed by Alex Stewart Assayers. The technical information above has been reviewed by Dr. David A. Terry, P.Geo., director and Vice President Exploration, and a Qualified Person.

Neuquen Province

In 2007, the Company staked 3 categoos totaling 29,877 hectares in Neuquen Province. Only preliminary work has been carried out on these properties.

The Company's Argentine-based exploration team is currently conducting focused exploration programs to assess a number of the properties currently in its portfolio and initiating generative programs to identify targets in high-potential mineral districts in Argentina. In addition the team is evaluating a number of advanced-stage projects in Argentina, as well as other Latin American countries. The Company will continue to lever its exploration expenditures through joint-venturing projects with high quality partners.

Peru and Colombia

On January 27, 2010, the Company completed the spinout of its Peruvian and Colombian properties by way of a statutory plan of arrangement (the "Arrangement"), originally announced in the Company's news release dated November 25, 2009. The Company, in exchange for 3,564,629 common shares and 1,921,800 warrants of Golden Alliance Resources Corporation, paid \$930,000 and spun-out its Peruvian and Colombian mineral property interests with a carrying value of \$1,380,483. The shares and warrants were distributed to the Company's shareholders and warrant holders.

Selected Annual Financial Information⁽¹⁾

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

	Years Ended December 31,		
	2010 \$	2009 \$	2008 \$
Royalty income	1,616,065	1,335,714 ⁽³⁾	-
Net loss for the year	(1,661,273) ⁽²⁾	(2,501,406) ⁽⁴⁾	(4,824,149)
Loss per share – basic and diluted	(0.04)	(0.09)	(0.31)
Total Assets	5,937,873 ⁽⁶⁾	5,348,977 ⁽⁵⁾	3,626,344

- (1) As the Company's IFRS transition date was January 1, 2010, 2009 and 2008 comparative information has not been restated and is presented in accordance with Canadian GAAP.
- (2) Includes \$1,616,065 in royalty income, an increase over prior year, and decreased exploration of \$1,530,864.
- (3) The Company received its first quarterly payment from Yamana Gold Inc. ("Yamana") from the Company's 1% net smelter returns royalty ("NSR") from the initial production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina
- (4) Includes \$1,335,714 in royalty income not earned in prior year and decreased exploration of \$1,855,223.
- (5) increase over prior year is primarily a result of cash acquired to from issuance of capital stock to maintain and further advance exploration on projects in South America and for general working capital.
- (6) The increase is related to an increase in cash, short term investments and marketable securities of \$2,280,516 partially offset by a decrease in mineral properties of \$1,331,163 mainly due to the transfer of mineral property interests to Golden Alliance and a reduction in prepaid expenses of \$250,098.

Results of Operations – For the Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010

Other Items

During the nine months ended September 30, 2011, other items increased by \$494,410, to \$1,640,887 compared to \$1,146,477 for the nine months ended September 30, 2010. The increase in other income is largely due to:

- An increase in royalty income of \$461,998 to \$1,606,674 for the nine months ended September 30, 2011 compared to \$1,144,676 for the nine months ended September 30, 2010. The increase is due to higher gold prices and higher mine production in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.
- An increase of interest income of \$33,203. Interest income was \$35,004 for the nine months ended September 30, 2011 compared to \$1,801 for the nine months ended September 30, 2010. The Company earned interest on higher excess cash invested in short term investments during the nine months ended September 30, 2011 compared to fewer short term investments held during the nine months ended September 30, 2010.

Expenses

During the nine months ended September 30, 2011, expenses increased by \$1,915,978, to \$3,676,173 compared to \$1,760,195 for the nine months ended September 30, 2010. The increase in expenses is largely due to:

- An increase of \$1,712,000 in exploration. Exploration expense was \$2,460,582 for the nine months ended September 30, 2011 compared to \$748,582 for the nine months ended September 30, 2010. The Company completed a diamond drilling program on its Potrerillos project in the Fronterra District of San Juan province and intensive sampling and mapping surveys began on the Company's Don Bosco property in western La Rioja, Argentina during the nine months ended September 30, 2011 compared to no equivalent program as the Company had fewer properties with active exploration projects during the nine months ended September 30, 2010.
- An increase of \$150,793 in corporate development and investor relations. Corporate development and investor relations was \$221,567 for the nine months ended September 30, 2011 compared to \$70,774 for the nine months ended September 30, 2010. The Company had increased activities related to the promotion of the Company's exploration programs and increased staff in corporate development during the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

- An increase in foreign exchange loss of \$98,678. Foreign exchange loss was \$102,708 for the nine months ended September 30, 2011 compared \$4,030 for the nine months ended September 30, 2010. The decrease is due to the fluctuation of the Argentinean Peso and US dollar against the Canadian dollar during the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 as well as differing amounts of funds were held in these respective currencies during these periods.
- An increase of \$77,188 in salaries and employee benefits and management services. Salaries and employee benefits and management services were \$536,621 for the nine months ended September 30, 2011 compared to \$459,433 for the nine months ended September 30, 2010. The change is due to increased staff levels and related executive compensation and the Company was charged a higher amount for management services related to directing corporate affairs and increased business activity during the nine months ended September 30, 2011 compared to less staff and a lower management fee due to reduced business activity as the Company underwent reorganization during the nine months ended September 30, 2010.

The increase was partially offset by:

- A decrease of \$47,033 in stock-based compensation. Stock-based compensation was \$7,417 for the nine months ended September 30, 2011 compared to \$54,450 for the nine months ended September 30, 2010. Vesting of 75,000 consultant options had occurred during the nine months ended September 30, 2011 compared to 250,000 stock options granted during the nine months ended September 30, 2010.
- A decrease of \$80,273 in professional fees. Professional consulting work surrounding the spin out of Peruvian and Columbian assets into Golden Alliance Resources Corp. was undertaken during the nine months ended September 30, 2010. This work was completed in the early part of 2010 and therefore no such fees were incurred during the nine months ended September 30, 2011.

The net loss for the nine months ended September 30, 2011 was \$2,035,286 or \$0.04 per basic and diluted share compared to a loss of \$613,718 or \$0.02 per basic and diluted share for the nine months ended September 30, 2010.

Cash Flow

Operating Activities

Cash outflow from operating activities was \$2,434,251 for the nine months ended September 30, 2011 compared to \$96,694 for the nine months ended September 30, 2010. The increase is mainly attributable to exploration expenditures of \$2,460,582 in the nine months ended September 30, 2011 compared to \$748,582 in the nine months ended September 30, 2010 and increased ongoing operational and administrative costs.

Investing Activities

Cash outflow from investing activities was \$1,467,543 for the nine months ended September 30, 2011 compared to cash inflow of \$103,426 for the nine months ended September 30, 2010. The Company transferred \$930,000 to Golden Alliance Resources Corp. as a result of the distribution of Peruvian and Colombian mineral property interests during the nine months ended September 30, 2010 compared to \$Nil for the nine months ended September 30, 2011. The Company redeemed short term investments of \$3,244,101 and purchased short term investments of \$4,749,510 during the nine months ended September 30, 2011 compared to a redemption of \$1,127,234 and purchase of \$Nil during the nine months ended September 30, 2010. Capital assets totaling \$42,089 were acquired during the nine months ended September 30, 2011 compared to \$44,488 for the nine months ended September 30, 2010. The Company received \$109,922 in option payment proceeds with respect to farm-out agreements entered into with Coronation Resources Limited and Vale Exploracion Argentina, S.A. for its Pescado and Mogote properties, respectively during the nine months ended September 30, 2011 compared to no such option payments during the nine months ended September 30, 2010.

Financing Activities

Proceeds from the issuance of common shares were \$Nil for the nine months ended September 30, 2011 compared to \$224,400 for the nine months ended September 30, 2010. Proceeds from the exercise of warrants were \$2,556,450 for the nine months ended September 30, 2011 compared to \$36,425 for the nine months ended September 30, 2010 due to the imminent expiry of a large block of in-the-money warrants in January 2011. Proceeds from the exercise of options was \$59,500 for the nine months ended September 30, 2011 compared to \$Nil for the nine months ended September 30, 2010.

Results of Operations – For the Three Months Ended September 30, 2011 Compared to the Three Months Ended September 30, 2010

Other items

During the three months ended September 30, 2011, other items increased by \$122,329, to \$575,483 compared to \$453,154 for the three months ended September 30, 2010. The increase in other income is largely due to:

- An increase in royalty income of \$106,863 to \$560,307 for the three months ended September 30, 2011 compared to \$453,444 for the three months ended September 30, 2010. The increase is due to higher gold prices and higher mine production in the three months ended September 30, 2011 compared to the three months ended September 30, 2010.
- An increase of interest income of \$15,466. Interest income was \$15,176 for the three months ended September 30, 2011 compared to an expense of \$290 for the three months ended September 30, 2010. The Company invested its excess cash in guaranteed interest certificates in the three months ended September 30, 2011 compared to no short term investments held during the three months ended September 30, 2010.

Expenses

During the three months ended September 30, 2011, expenses increased by \$262,811, to \$872,573 compared to \$609,762 for the three months ended September 30, 2010. The increase in expenses is largely due to:

- An increase of \$228,711 in exploration. Exploration totaled \$519,197 for the three months ended September 30, 2011 compared to \$290,426 for the three months ended September 30, 2010. Intensive sampling and mapping surveys began on the Company's Don Bosco property in western La Rioja, Argentina during the three months ended September 30, 2011 compared to lower exploration expenditures on the Varitas project during the three months ended September 30, 2010.
- An increase of \$35,662 in corporate development and investor relations. Corporate development and investor relations was \$52,618 for the three months ended September 30, 2011 compared to \$16,596 for the three months ended September 30, 2010. The Company had increased activities related to the promotion of the Company's exploration programs during the three months ended September 30, 2011 compared to less promotion due to lower exploration activity during the three months ended September 30, 2010.
- An increase of \$41,729 in travel. Travel expense was \$53,753 for the three months ended September 30, 2011 compared to \$12,024 for the three months ended September 30, 2010. Additional travel was required due to increased business development activity during the three months ended September 30, 2011 compared to less business development activity during the three months ended September 30, 2010.

The increase was partially offset by:

- A decrease in foreign exchange loss of \$60,416. Foreign exchange gain was \$37,812 for the three months ended September 30, 2011 compared to a foreign exchange loss of \$22,604 for the three months ended September 30, 2010. The decrease is due to the fluctuation of the Argentinean Peso and US dollar against the Canadian dollar during the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as well as differing amounts of funds were held in these respective currencies during these periods.

The net loss for the three months ended September 30, 2011 was \$297,090 or \$0.01 per basic and diluted share compared to a loss of \$156,608 or \$0.00 per basic and diluted share for the three months ended September 30, 2010.

Cash Flow

Operating Activities

Cash outflow from operating activities was \$317,382 for the three months ended September 30, 2011 compared to \$215,865 for the three months ended September 30, 2010. The increase is mainly attributable to exploration expenditures of \$519,197 in the three months ended September 30, 2011 compared to \$290,426 in the three months ended September 30, 2010. This was offset by receipt of a higher royalty income amount and changes in non-cash working capital balances during the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Investing Activities

Cash inflow from investing activities was \$339,028 for the three months ended September 30, 2011 compared to \$382,004 for the three months ended September 30, 2010. The Company redeemed short term investments of \$750,000 and purchased short term investments of \$500,000 during the three months ended September 30, 2011 compared to a redemption of \$447,407 and purchase of \$Nil during the three months ended September 30, 2010. Mineral properties expenditures totaled \$20,894 during the three months ended September 30, 2011 compared to \$44,488 for the three months ended September 30, 2010. The Company received \$109,922 in option payment proceeds with respect to farm-out agreements entered into with Coronation Resources Limited and Vale Exploracion Argentina, S.A. for its' Pescado and Mogote properties, respectively, during the three months ended September 30, 2011 compared to no such option payments during the three months ended September 30, 2010.

Financing Activities

Proceeds from the exercise of warrants were \$Nil for the three months ended September 30, 2011 compared to \$675 for the three months ended September 30, 2010.

Balance Sheet

At September 30, 2011, the Company had total assets of \$6,403,609 compared with \$5,937,873 in total assets at December 31, 2010. The increase due to proceeds received from the exercise of warrants offset by operating and exploration costs during the nine months ended September 30, 2011. Working capital at September 30, 2011 was \$4,914,228 compared to working capital of \$4,381,480 at December 31, 2010, largely due to the increase in cash, short term investments and royalty income receivable.

Selected Quarterly Financial Information⁽¹⁾

	2011			2010			2009	
	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$
Revenue	560,307	607,750	438,617	471,389	453,444	317,573	373,659	566,317
Net Earnings Income (Loss)	(302,865) ⁽⁵⁾	(646,307) ⁽⁴⁾	(1,091,889)	(1,047,555) ⁽³⁾	(156,608)	(279,286)	(177,824)	(304,868) ⁽²⁾
Net Loss per Common Share Basic and Diluted	(0.01)	(0.01)	(0.02)	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)

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

(2) Includes \$200,255 in exploration, \$331,235 in mineral property write-offs and \$119,269 in income tax recovery.

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

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

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

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$20,607,191 at September 30, 2011 (December 31, 2010 - \$18,571,905) and shareholders' equity of \$6,236,094 at September 30, 2011 (December 31, 2010 - \$5,682,425). In addition, the Company had working capital of \$4,914,228 at September 30, 2011 (December 31, 2010 - \$4,381,480). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

As the Company is an exploration stage company, revenues have been limited to interest earned on cash held with the Company's financial institutions and royalty revenue from Yamana. For the nine months ended September 30, 2011, the Company recorded interest income of \$35,004 compared to \$1,801 for the nine months ended September 30, 2010. The Company earned royalty revenue from its NSR on Yamana's Gualcamayo Gold Project totaling \$1,606,674 for the nine months ended September 30, 2011 compared to \$1,144,676 for the nine months ended September 30, 2010.

During the nine months ended September 30, 2011:

- 8,869,000 warrants were exercised for gross proceeds of \$2,556,450.
- 170,000 stock options were exercised for gross proceeds of \$59,500.

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	480,000	120,000	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is \$40,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Capital Stock

At September 30, 2011, the Company had unlimited authorized common shares without par value. As at September 30, 2011, an aggregate of 55,263,655 common shares were issued and outstanding. As at November 17, 2011, 55,263,655 common shares were issued and outstanding.

	Share capital		Reserves					Total
	Number of shares	Amount \$	Contributed surplus \$	Equity settled share-based payments \$	Warrants \$	Investment revaluation \$	Deficit \$	
Balance at January 1, 2010	34,901,655	12,155,608	12,656,866	794,687	1,043,182	23,099	(21,500,482)	5,172,960
Private placement	680,000	224,400	-	-	-	-	-	224,400
Warrants exercised	128,000	45,180	-	-	(8,755)	-	-	36,425
Share-based compensation	-	-	-	54,450	-	-	-	54,450
Stock options expired	-	-	284,377	(284,377)	-	-	-	-
Spinout of Peruvian and Colombian properties into Golden Alliance	-	(6,796,427)	-	-	(103,906)	-	4,589,850	(2,310,483)
Total comprehensive (loss) for the period	-	-	-	-	-	(15,014)	(613,718)	(628,732)
Balance at September 30, 2010	35,709,655	5,628,761	12,941,243	564,760	930,521	8,085	(17,524,350)	2,549,020
Private placement	4,000,000	1,400,000	-	-	-	-	-	1,400,000
Share issue costs	-	(42,000)	-	-	-	-	-	(42,000)
Warrants exercised	6,515,000	2,615,577	-	-	(312,027)	-	-	2,303,550
Warrants expired	-	-	163,944	-	(163,944)	-	-	-
Share-based compensation	-	-	-	506,727	-	-	-	506,727
Capital tax on expired warrants	-	-	(26,349)	-	-	-	-	(26,349)
Total comprehensive (loss) for the period	-	-	-	-	-	39,032	(1,047,555)	(1,008,523)
Balance at December 31, 2010	46,224,655	9,602,338	13,078,838	1,071,487	454,550	47,117	(18,571,905)	5,682,425
Stock options exercised	170,000	90,024	-	(30,524)	-	-	-	59,500
Stock options expired	-	-	3,783	(3,783)	-	-	-	-
Share-based compensation	-	-	-	7,417	-	-	-	7,417
Warrants exercised	8,869,000	3,038,300	-	-	(481,850)	-	-	2,556,450
Warrants issue costs transferred to share issue costs	-	(27,380)	-	-	27,380	-	-	-
Warrants expired	-	-	80	-	(80)	-	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(34,412)	(2,035,286)	(2,069,698)
Balance at September 30, 2011	55,263,655	12,703,282	13,082,701	1,044,597	-	12,705	(20,607,191)	6,236,094

The Company had no warrants outstanding as at November 17, 2011.

The following summarizes information about the stock options outstanding and exercisable as at November 17, 2011:

Number	Exercise Price \$	Expiry Date
75,000	0.80	March 15, 2012
578,000	1.00	September 10, 2012
1,445,000	0.35	May 7, 2014
75,000	0.31	August 4, 2014
100,000	0.36	March 31, 2015
150,000	0.36	April 22, 2015
885,000	0.35	October 1, 2015
75,000	0.38	October 29, 2015
870,000	0.40	November 4, 2015
4,253,000		

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party Balances And Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them have control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

	Three months ended September 30		Nine months ended September 30	
	2011 \$	2010 \$	2011 \$	2010 \$
Transactions				
Services rendered:				
Grosso Group Management Ltd. (a)	130,500	150,000	410,400	426,672
Cacos Consulting Ltd. (b)	12,000	12,000	36,000	36,151
Vinland Holdings Ltd. (c)	36,100	16,000	86,700	62,600
Oxbow International Marketing Corp. (d)	31,250	-	63,153	-
Total for services rendered	209,850	178,000	596,253	525,423

- (a) On March 31, 2010, the Company and Blue Sky Uranium Corp. ("Blue Sky") collectively entered into a sale agreement with an officer and director of the Company to sell their shares held in Grosso Group Management Ltd., ("Grosso Group") for proceeds of \$1. On April 1, 2010, the Company entered into a Management Services Agreement ("Agreement") with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is \$50,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expires on December 31, 2012. The Agreement contains termination and early termination fees in the event the services are terminated by the Company.

The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of \$750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000.

- (b) Cacos Consulting Ltd. is a private company controlled by Nikolaos Cacos, a director that provided management services to the Company at market rates.
- (c) Vinland Holdings Ltd. is a private company controlled by Dr. David Terry, a director and officer that provided geological services to the Company at market rates.
- (d) Oxbow International Marketing Corp. is a private company controlled by Joseph Grosso, a director and officer that provided management services to the Company at market rates.

Key management personnel compensation

Compensation	Three months ended			Three months ended		
	Salaries	Share-based benefits	September 30,	Salaries	Share-based benefits	September 30,
Chief Executive Officer	31,250	-	31,250	15,625	-	15,625
Chief Financial Officer	13,357	-	13,357	13,995	-	13,995
Total	44,607	-	44,607	29,620	-	29,620

Compensation	Nine months ended			Nine months ended		
	Salaries	Share-based benefits	September 30,	Salaries	Share-based benefits	September 30,
Chief Executive Officer	70,313	-	70,313	42,931	-	42,931
Chief Financial Officer	40,072	-	40,072	37,107	21,895	59,002
Total	110,385	-	110,385	80,038	21,895	101,933

Subsequent Events

- In accordance with its option agreement, Vale Exploracion Argentina, S.A. has made vendor payments of US\$200,000 on the Company's Purulla Property.
- On October 31, 2011, the Company received its third quarterly payment from Yamana Gold Inc. ("Yamana") from the Company's 1% net smelter returns royalty ("NSR") from the production at Yamana's Gualcamayo gold mine, located in San Juan, Argentina.

Critical Accounting Estimates and Recent Accounting Pronouncements

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

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's financial statements for the period ended September 30, 2011. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first year of IFRS condensed consolidated interim financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP.

Transition to International Financial Reporting Standards

As stated in Note 2 of the condensed consolidated interim financial statements, these are the Company’s first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 of the condensed consolidated interim financial statements have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the three and nine months ended September 30, 2011;
- the comparative information for the three and nine months ended September 30, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the nine months ended September 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP (“CAGAAP”).

An explanation of how the transition from CAGAAP to IFRS has affected the Company’s financial position, financial performance and cash flows is set out in Note 15 of the condensed consolidated interim financial statements.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. The Company did not make any elections with respect to IFRS optional exemptions.

Share-based Payment Transactions

The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value of share purchase options granted is determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company’s stock, the expected lives of awards of share purchase options, the fair value of the Company’s shares and the risk-free interest rate. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of share purchase options is charged to expense over the vesting period, with offsetting amounts to equity settled share-based payments reserve. If the share purchase options are granted for past services, they are expensed immediately. If the share purchase options are forfeited prior to vesting, no amounts are charged to expense. If share purchase options are exercised then the fair value of the options is re-classified from equity settled share-based payments reserve to share capital.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are charged to the statement of comprehensive income as incurred, until the property reaches development stage. The development stage begins 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 recovery of costs is credited against the cost of the related claims.

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

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Impairment

At the end of each reporting period the carrying amounts of the Company's 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 an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

New Accounting Standards and Interpretations

The following new accounting standard, that is not required to be adopted for the September 30, 2011 reporting period, is assessed not to have any impact on the Company's financial statements:

IFRS 9, *Financial Instruments, Classification and Measurement*, effective January 1, 2013; and

At the financial position reporting date, the following accounting interpretation was in issue but not yet effective: IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. This interpretation is not expected to have any impact on the financial results of the Company.

The Company anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Company except for additional disclosure.

Financial Instruments

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

(a) Fair Values

The Company's financial instruments consist of cash, short-term investments, marketable securities, receivables, and accounts payable. The fair value of cash, short term investments, marketable securities, receivables and accounts payable approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The Company's marketable securities are classified as available for sale and fair value is determined using bid prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income.

The following table outlines the Corporation'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.

As at September 30, 2011 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Cash	473,356	-	-	473,356
Short-term investments	3,759,937	-	-	3,759,937
Amounts receivable	51,467	-	-	51,467
Royalty income receivable	598,971	-	-	598,971
Marketable securities	28,874	-	-	28,874
Other receivable	220,790	-	-	220,790
Liabilities				
Accounts payable and accrued liabilities	167,515	-	-	167,515

As at December 31, 2010 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Cash	1,759,200	-	-	1,759,200
Short-term investments	1,762,833	-	-	1,762,833
Amounts receivable	56,284	-	-	56,284
Royalty income receivable	460,361	-	-	460,361
Marketable securities	554,980	-	-	554,980
Other receivable	132,821	-	-	132,821
Liabilities				
Accounts payable and accrued liabilities	255,448	-	-	255,448

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

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

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

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. As a portion of its receivables are with the governments of Canada in the form of sales tax, the credit risk is minimal. The majority of the remaining receivables are in the form of royalty receivable held with Yamana Gold Inc (“Yamana”). Therefore, the Company is not exposed to significant credit risk and overall the Company’s credit risk has not changed significantly from the prior year.

Liquidity risk

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

Market risk

(i) Currency risk

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

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company’s net loss by \$63,816
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company’s net loss by \$49,911.

(ii) Interest rate risk

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

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

(c) Capital Management

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

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

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

Risk Factors and Uncertainties

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

History of losses: The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2010 and 2009. 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.

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

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

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

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

Political risk: Exploration is presently carried out in the Argentina and 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 the cash. The Company's limits its exposure to credit loss by placing its cash 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 earn interest income at variable rates. The fair value of cash approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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

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

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2010.

Additional Information

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

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