

Golden Arrow making all the right silver moves

Golden Arrow is a silver producer with over 200,000 hectares of properties in Argentina

Golden Arrow Resources Corporation (TSXV: GRG | OTCQB: GARWF) is a Vancouver-based explorer with a history of success in identifying, acquiring and advancing precious and base metal discoveries. The Company's goal is to define world class deposits and advance them into exceptional projects. Golden Arrow is actively exploring on their more than 200,000 hectares of properties in Argentina. The Company is a member of The Grosso Group, a resource management group that has pioneered exploration in Argentina since 1993. Other members of this group include Argentina Lithium and Energy Corp. and Blue Sky Uranium Corp.

Mr. Joseph Grosso, Executive Chairman, President and CEO stated in a recent interview: "Argentina's government now is more conservative and business friendly. Most of them are graduates of universities in the United States and fully conversant with economics. They have selected mining as one of the leading industries to rebuild their country. They are very supportive. I believe being in Argentina is going to be a plus." Golden Arrow considers Argentina to be an underexplored country with highly promising potential stemming from its direct border with some of the world's most prolific mining areas. (Chile and Bolivia).



Golden Arrow company structure

Puna Operations – Pirquitas mine and processing mill and Chinchillas silver project

Golden Arrow holds a 25% share of Puna Operations Inc., a joint venture company operated by SSR Mining (75%). The joint venture is producing silver concentrate from the Pirquitas operation and developing the nearby Chinchillas silver-lead-zinc project, which has more than 8 years of forecast production, and potential to extend on this. Chinchillas is currently under development, with 81 Moz AgEq. Reserves (P&P) and an 140 Moz AgEq Resource (M&I). Under the terms of the agreement with SSR Mining, Golden Arrow received a \$17.8M payment from SSR Mining, when the joint venture was formed, meaning the project is fully funded to production. Production is expected to begin in August 2018.



Golden Arrow's Argentine property sites

Pirquitas highlights for 2017 included 6.177 Moz silver produced, and 6 Moz silver sold at an average of \$17.10/oz. During the year, ore was milled at an average rate of 4,927 tonnes per day. Stockpile ore milled contained an average silver grade of 152 g/t, higher than planned. The average silver recovery of 70.3% was lower than the previous year due to planned lower silver mill feed grade. Cash costs of \$13.07/oz silver. Golden Arrow's 25% Puna Operations share is equivalent to having a right to an average of 2.1 Moz. silver equivalent per year over the 8 year life of the mine.

Puna Operations Inc., Argentina Operating Results Summary, 100% Basis							
		Q4 2017	Q3 2017	% Change ¹	FY 2017	FY 2016	% Change ¹
Ore milled	kt	442	461	(4.1%)	1,798	1,774	1.4%
Silver mill feed grade	g/t	125	153	(18.3%)	152	235	(35.3%)
Silver recovery	%	66.0%	67.8%	(2.7%)	70.3%	77.8%	(9.6%)
Silver produced	koz	1,169	1,541	(24.1%)	6,177	10,422	(40.7%)
Silver sold	koz	820	2,076	(60.5%)	5,994	11,397	(47.4%)

Puna results summary

Golden Arrow's 100% owned New Golden Explorations Inc.

Golden Arrow's second value is from their continuation of exploration targeting key projects in Golden Arrow's prolific property portfolio. In order to continue exploration, Golden Arrow has formed a 100% owned subsidiary called New Golden Explorations Inc., which is currently exploring and has plans on drilling three very advanced prospects to achieve new discoveries. As of March 2018, Golden Arrow announced drilling has commenced at their Antofalla Silver-Gold-Base Metal Project in Argentina. To help finance exploration, Golden Arrow recently announced that they have obtained a US\$10m non-revolving term loan from SSR Mining Inc.

Golden Arrow Resources Corporation has a market cap of C\$ 51 m. Insider ownership is very high at ~50%.

Golden Arrow is making all the right moves in Argentina. A 25% share in a producing silver mine, a 25% share in a near term, fully funded silver-lead-zinc project, and massive exploration upside from their 200,000 hectare properties portfolio. Added together this means Golden Arrow has a clear pathway for growth and to accrue long lasting potential value for shareholders in the years to come.

Golden Arrow's Director on "the beginning of a great bull cycle in silver"

March 22, 2018 – "Chinchillas is a satellite deposit that we are just going through the CAPEX and construction phase. We expect to see that in the early part of the second half of this year go into production and ramp it up. The next year we should be in full production on that. When it is up and running it is expected to be the seventh largest primary silver mine in the world." states Nikolaos Cacos, Director and VP of Corporate Development at Golden Arrow Resources Corporation (TSXV: GRG | OTCQB: GARWF), in an interview with InvestorIntel's Andy Gaudry.

Andy Gaudry: How has your PDAC been going so far?

Nikolaos Cacos: It has been fantastic. It has been busy, solid, so this is exactly what I like to see.

Andy Gaudry: What has the chat been like in the silver market here?

Nikolaos Cacos: Silver is a great commodity. I think we are going to see silver come through. We are at the beginning of a great bull cycle in silver. This is just at the very beginning now.

Andy Gaudry: Wonderful. How are your Argentina projects going?

Nikolaos Cacos: Argentina, we are very excited right now. We have a production. We have a new joint venture with SSR Mining. We are in production with silver at the Pirquitas Silver Mine and the Chinchillas deposit. Chinchillas is a satellite deposit that we are just going through the CAPEX and

construction phase. We expect to see that in the early part of the second half this year go into production and ramp it up. The next year we should be in full production on that. When it is up and running it is expected to be the seventh largest primary silver mine in the world.

Andy Gaudry: Can you give us a little update on the silver market?

Nikolaos Cacos: The silver market has been on a up and down upswing. We are confident we are going to see a silver market that is going to explode in the near-term and the market is going to open up and we are going to see much better silver prices in the future. What we also are excited about, because this is primarily a silver mine, there is a significant byproduct of zinc that we get out of it, about 20% of it. Zinc has been a great performer. We have seen it in the last year go from \$1.00 now it is \$1.50-\$1.60 a pound. We are seeing that is adding tremendous value to our mine. I think our first few quarters of production at the end of the year are going to reflect that.

Andy Gaudry: That is incredible.

Nikolaos Cacos: Yes.

Andy Gaudry: Wonderful. For your shareholders, what can they expect for the next quarter or two from Golden Arrow Resources?

Nikolaos Cacos: We see that we have got fully permitted to put the construction in place. We are in the construction phase right now. As we begin trucking ore from Chinchillas to Pirquitas and in production. I think we are going to see that the cash flow is coming into our balance sheet. I think investors can expect to see some nice returns and the market reward us...to access the complete interview, [click here](#)

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Golden Arrow “significantly undervalued” following completion of Silver Standard Resources deal

Upon completion of the deal with Silver Standard Resources to couple the Chinchillas site with the existing Pirquitas processing plant, Golden Arrow Resources Corporation. (TSXV: GRG | OTCQB: GARWF) (“Golden Arrow”) saw a very healthy climb in share prices. Equity prices have since sunk back down to pre-agreement levels and today’s valuation has them trading at C\$0.66 with a market cap of C\$64.7m, but analysts are suggesting that this is way beneath the true worth of this fast-tracked company given that revenues are ultimately expected to reach over a billion; Hallgarten & Company has a twelve-month target for Golden Arrow of \$C1.45, and the newfound cash flow, along with enticing results that continue to emerge from the company’s Antofalla site in Catamarca strongly corroborate their thesis.

A junior of this age would normally have little or no access to regular income, but the deal with Silver Standard provides Golden Arrow with 25% ownership of a joint venture (JV) that includes the continued processing of the remaining ore at the Pirquitas site. This area would be facing the end of its life very shortly, and Golden Arrow would be much further from the title of producer, but the operation created from the JV (Puna Operations Inc.) can now enjoy the benefits of joint

infrastructure, a ready-made processing facility, twelve-months of ore already awaiting milling, and further material from Golden Arrow's Chinchillas site among others.

The company now has access to eight land packages including the Antofalla site in Catamarca province. Recent drilling at Antofalla revealed yet further good news, returning significant silver and gold values, pumping even more potential life into the new JV. Brian McEwen, Golden Arrow's Vice President of Exploration and Development commented:

"Not since our first months at the Chinchillas project has the team been so excited about the potential for a significant discovery. The last three months have proven extremely successful in advancing our knowledge of the extensive system at Antofalla and the priority target areas. Our preliminary findings confirm that not only are there good opportunities to expand the known mineralization but also to define new mineralization outside the known zones."

The company released a pre-feasibility study on Chinchillas around the same time as the JV was announced, demonstrating that the site was capable of average annual silver equivalent production of 8.4 million ounces over an eight-year mine life, lead production of 35m lbs per annum and zinc production of 12.3m lbs per annum. Silver prices are expected to be the subject of a strong rally in the near future, and the price of zinc saw a record surge in 2016 driven by mine closures and President Trump's planned infrastructure drive.

Additionally, the changes in the Argentine government over the last couple of years have seen the new president scrap a 5% mining tax, creating an incentive for new companies to seek projects in the region. President Mauricio Macri pledged to repeal the long history of state intervention which has been perceived by many to scare away investors, and now that he's making good on his promises, the companies already situated there are the ones reaping the most from the new mining-

friendly image of Argentina.

Based on and subject to the permitting process, construction at Chinchillas is anticipated to begin during the third quarter of 2017 with ore delivery to the Pirquitas mill expected in the second half of 2018, but there is really no reason to wait any longer to get in on this favourable cooperative synergy; Golden Arrow really could become one of the top silver players in Argentina in record-breaking time, and their value will be more-accurately represented sooner rather than later.

Expect ‘explosive growth’ from the guys at Grosso and Golden Arrow

For the willing, cooperation can achieve a great deal in a very short time; a fact currently being expertly demonstrated by Golden Arrow Resources Corporation (TSXV: GRG | OTCQB: GARWF) (“Golden Arrow”) and their strategic partners. Already a member of the high-achieving Grosso Group, a pioneering explorer of South-American resources for almost twenty-five years, Golden Arrow aligned with a neighbouring producer in 2015 to achieve a blend of experience and technological capability that would rapidly advance their silver, lead and zinc play by negating the need to build unnecessary additional processing plants. After an eighteen-month pre-feasibility stage, the gang are eminently positioned to achieve full production in record time, and are sitting at double the share value of only twelve months prior.

Given that Silver Standard’s nearby Pirquitas mine is coming

to the end of its life this year, combining the two operations was a significantly advantageous move. Golden Arrow will receive a US\$15 million option exercise payment from Silver Standard, equal to 25% of Pirquitas mine earnings less certain expenditures incurred from October 1, 2015 to closing, payable on closing, which is expected on or before May 30, 2017. Any investors who wish to benefit from a short-term boost to stocks should get in on the action immediately.

From Golden Arrow's perspective, Executive Chairman, President & CEO, Mr. Joseph Grosso described the joint venture as:

"A landmark achievement for the Company as Golden Arrow transitions from an exploration/discovery operation into a mining operation."

Grosso further commented that "Golden Arrow's shareholders stand to benefit from this profile and strengthened financial position."

For the longer-term thinker, Pirquitas has around twelve-months of material remaining to process, after which it will switch to receiving the output from Golden Arrow's Chinchillas project. The recent prefeasibility study (PFS) has revealed that the joint venture contains measured and indicated resources of 29.3 million tonnes, featuring 96 million ounces of silver at a grade 101 g/t, 581 million pounds of lead at a grade of 0.90% and 386 million pounds of zinc at a grade of 0.60%. The omission of a construction stage at Chinchilla, and the introduction of proven people and technology, has rendered the company's' project as a promising silver-play-of-choice.

Average annual silver equivalent production should be 8.4 million ounces over an eight-year mine life at a 4,000 tonnes per day of plant throughput, and operating margins are robust to say the least, based on cash costs of \$7.40 per payable ounce of silver sold over the life of the mine. Post-tax net present value is stated as \$178 million using a 5% discount

rate, and metal prices of \$19.50 per ounce silver, \$0.95 per pound lead and \$1.00 per pound zinc make for an irresistible post-tax internal rate of return of 29%.

First acquired in 2011, the Chinchillas prospect has always shared a road with Pirquitas, a fact that originally compelled the companies to cooperate, as pre-existing infrastructure and local authority relationships mean that logistics and permitting need not be the total headache they are normally expected to be. I can't stress enough how the simple act of folding together the two operations has created phenomenal synergy that benefits all shareholders involved in either company; the closing-down of a US\$300 million facility has been avoided by extending its life by around nine years.

Golden Arrow remains the operator of the studies and the mine as it exists today. Upon completion and publication of proof-of-concept at the end of May, operational control will be handed over to Silver Standard, who will continue to run their proven plant with the material supplied by Golden Arrow. It is important to note that, for all intents and purposes, the project is a go, and formalities such as permitting are all that separate handshakes from shipments. Processing of the Chinchillas material may be over a year away, but the effects of the current transactions have already been felt. Expect explosive growth over both the short-and-long-term from the guys at Grosso and Golden Arrow.

Deconstructing Silver Standard in Argentina

One doesn't have to have too great a memory to recall the

glory days of silver both before the 2008 crash and then the resurgence thereafter (when the metal hit \$50 per oz momentarily). Back at that time one of the 800lb gorillas of the silver space was Silver Standard Resources (TSX: SS0 | NASDAQ:SSRI) and it was a ubiquitous presenter in New York, constantly doing the rounds and keeping its mammoth market cap in play.



At the time its main play was a project (not a mine) called Pirquitas in the far northern province of Jujuy in Argentina. The project eventually came into production and has carried Silver Standard through the dark times, both for silver and for perceptions of Argentina. Now Argentina is (almost) sexy again and silver is back on centre stage (though not as booming as the Tin Foil Hatters would like). And yet machinations are afoot to “distance” Silver Standard from the project that has long been its mainstay.

In this piece we shall look at what is going on to try and divine if this is the creation of a major new champion of the Argentine mining space or the steady retreat of Silver Standard from its traditional stamping ground.

The “Latest” Deal

In October 2015, the current main vehicle of the Grosso Group, Golden Arrow Resources (TSXV: GRG; FSE:GAC; OTCQB:GARWF) and Silver Standard entered into a business combination agreement for the joint development of Golden Arrow's Chinchillas project and "an agreement to combine the producing Pirquitas Mine and the Chinchillas project, located approximately 35 kilometres apart in Jujuy Province of Argentina, into a single new operation." The joint venture would be 75% owned by Silver Standard and 25% owned by Golden Arrow.

During the 18-month preliminary period, Silver Standard would invest up to approximately US\$12.6 million "at Chinchillas to advance the project and evaluate the feasibility of developing a combined mining business with its existing Pirquitas operation."



The Grosso Group

This outfit is headed by Joe Grosso who might be called the doyen of Argentine mining. He was one of the early pioneers of the mining sector in Argentina in 1993 when mining was opened to foreign investment, and was named Argentina's 'Mining Man of The Year' in 2005. He proved to be a useful vector for foreign miners wanting local knowledge during the opening of the Argentine mining sector and fully formed strategic alliances and negotiated with mining industry majors such as Barrick, Teck, Newmont, Viceroy (now Yamana Gold) and Vale S.A., and government officials at all levels.

Rummaging through the dustbin of our mind (well, actually searching our back catalogue of research) brought us to our avid support (in the middle of last decade) for Aquiline in its legal battle over the *La Navidad* deposit with the Grosso Group company IMA (then IMR.v). IMA ended up losing out to Aquiline, then Aquiline was snapped up by Panamerican Silver for around CAD\$626 mn, if memory serves us right, only to have Panamerican mothball the project despite its enormous potential.

Then rolling on to after the 2008 crisis, IMA was reduced to a cashbox and became subject to the predatory moves of a certain Southern Californian guru who engineered its merger into a threeway structure with Kobex and International Barytex in a deal, which we opposed, that created a super cash-box that then did nothing with the money during one of the greatest bargain basement sales in mining history.

The Argentine Assets

Silver Standard's Pirquitas property is a well-known mine. It is positioned at an elevation of 4,100 meters above sea level and is accessible by all-weather roads. The open-pit mine achieved commercial production in December 2009. Ore is crushed and treated in a gravity pre-concentrator prior to processing in a conventional mineral flotation plant. The silver and zinc concentrates produced from the plant are shipped to third party smelters.

The mine delivered record silver production in 2015 with 10.3mn ounces of silver and 9.4mn pounds of zinc. For 2016 the production guidance was between 8-10mn ounces of silver and up to 5mn pounds of zinc.

The Probable Mineral Reserves amounted to 16.5mn ounces of silver at an average grade of 220.1 g/t and 7.7mn ounces of silver in stockpiles at an average grade of 109.1 g/t as at December 31, 2015. The Indicated Mineral Resources of 53.8mn

ounces of silver at an average grade of 122.4 g/t, 18.2mn ounces of silver at an average grade of 241.1 g/t at Pirquitas Underground and 8mn ounces of silver in stockpiles at an average grade of 107.3 g/t as at December 31, 2015.

Here is the San Miguel open-pit at Pirquitas.



The Chinchillas property is a less-well-known quantity in comparison. It has near-surface mineralization providing the potential for an open-pit mining scenario, plus conventional metallurgy that has shown high recoveries of silver, lead and zinc to concentrates in bench-scale testing, and access to infrastructure including highways, power and water. The project which hosts a resource of 100mn ounces of silver (155mn ounces in AgEq) in the Measured & Indicated categories and 44mn ounces of silver (90mn ounces AgEq) in the Inferred category.

However, it's vital to note in light of the storming Zinc price that this resource dates from April 2016 when Zinc was a whole different ball of wax. This project has a Measured and Indicated Zinc component of 401mn lbs with a further 548mn lbs

Zn in the Inferred category. With silver having fallen and Zinc having risen, the AgEq equation would register substantially more ounces now and Zinc would be a greater part of the economics. This is the type of stuff that gets our pulse racing.

This updated resource estimate is the result of the Chinchillas Project pre-development activities, funded by Silver Standard, which are being undertaken to evaluate the feasibility of creating a combined mining business with Silver Standard's Pirquitas mine.

What has Happened?

The two major events in the last two months have been the retreat of the silver price from over \$20 and, probably more importantly, the change of government in Argentina. After nearly a decade and a half of irregular iconoclastic governments in Argentina ruled most recently by the dynasts of the Kirchner family and before that the Duhalde regime the country has returned to a certain orthodoxy with the election of Mauricio Macri as President in the last quarter of 2016. While not reinserting Argentine directly into the good books of mining investors it has certainly made thinking about the possibilities not being grounds for insanity. Foreign exchange rules and foreign purchasing restrictions have been freed up thus removing two of the major bugbears of foreign miners operating in the country. This reopening has coincided with the Lithium boom which has placed Argentina at the centre of the action because of its ample supply of *salares* in its northwestern provinces.

With these developments in the foreground the Silver Standard/Golden Arrow alliance has been pattering along in the background. In 2016, work completed included: a Phase VI drill program, an upgraded resource estimate, metallurgical studies, engineering studies, environmental monitoring, and community relations programs. The Environmental Report, which is the

major mine permit application, was submitted to the authorities in September.

Joseph Grosso, chairman, president and CEO of Golden Arrow, went on record in December as saying “as of the end of September 2016, Silver Standard has invested approximately US\$11mn to advance the project towards pre-feasibility”. He also noted that “currently at Chinchillas, there are two drills working to complete detailed geo-mechanical and hydrogeological programs in and around the designed open pit by mid-December. Exploration work is also continuing both at Chinchillas and regionally, to delineate additional potential ore feed for the proposed operation.”

The price action at Golden Arrow seems to echo what has happened with the silver price over the last six months more than any developments on the ground with its Silver Standard deal.



Conclusion

Supposedly J.P. Morgan was once asked how he became so wealthy and his response was “I sold too early”. The question here is whether Silver Standard “sold too early” in engineering the

transaction discussed above. We think not. Production is over the hill at Pirquitas and its best chance of extending its own mine's life and gleaning extra value out of its smelter at the mine. Without an extra source of feedstock, a decision on whether to shutter it will need to be made in the next two months. The obvious solution is to ramp up Chinchillas and start sending a stream of Silver (and Zinc) ore in the direction of Silver Standard's processing facilities at Pirquitas. We are constantly asked where the next big Zinc mine is coming from and have hitherto been saying Chesapeake's Metates project or shrugging our shoulders. However with the silver and zinc planets aligning in Jujuy the combined operation of Pirquitas and Chinchillas adds a major dark horse in the race to production.

As to which of the players to go for, the choice is between Silver Standard with 75% of the combined operation (but with a \$1.5bn market cap) or Golden Arrow with a \$69mn market and 25% of the action. While Silver Standard has two other producing mines (Marigold and Seabee, which are rather ironically both gold mines), Golden Arrow would appear to be the purer play, the cheaper stock and the better leverage to the renascent Argentine mining sector.