

Goldletter INTERNATIONAL

the international independent information and advice bulletin for gold and related investments

INVESTMENT ALERT – February 6, 2018

www.goldenarrowresources.com



Golden Arrow Resources (C\$ 0.59)

TSX.V : GRG
OTC : GARWF
Frankfurt SE : G6A

H+L prices (12 months) : C\$ 0.97 – 0.37

Net shares issued : 98.4 million shares
Fully diluted : 114.5 million shares

Market Capitalization : C\$ 58.1 million
(US\$ 46.6 million)

2018 price target: C\$ 0.90

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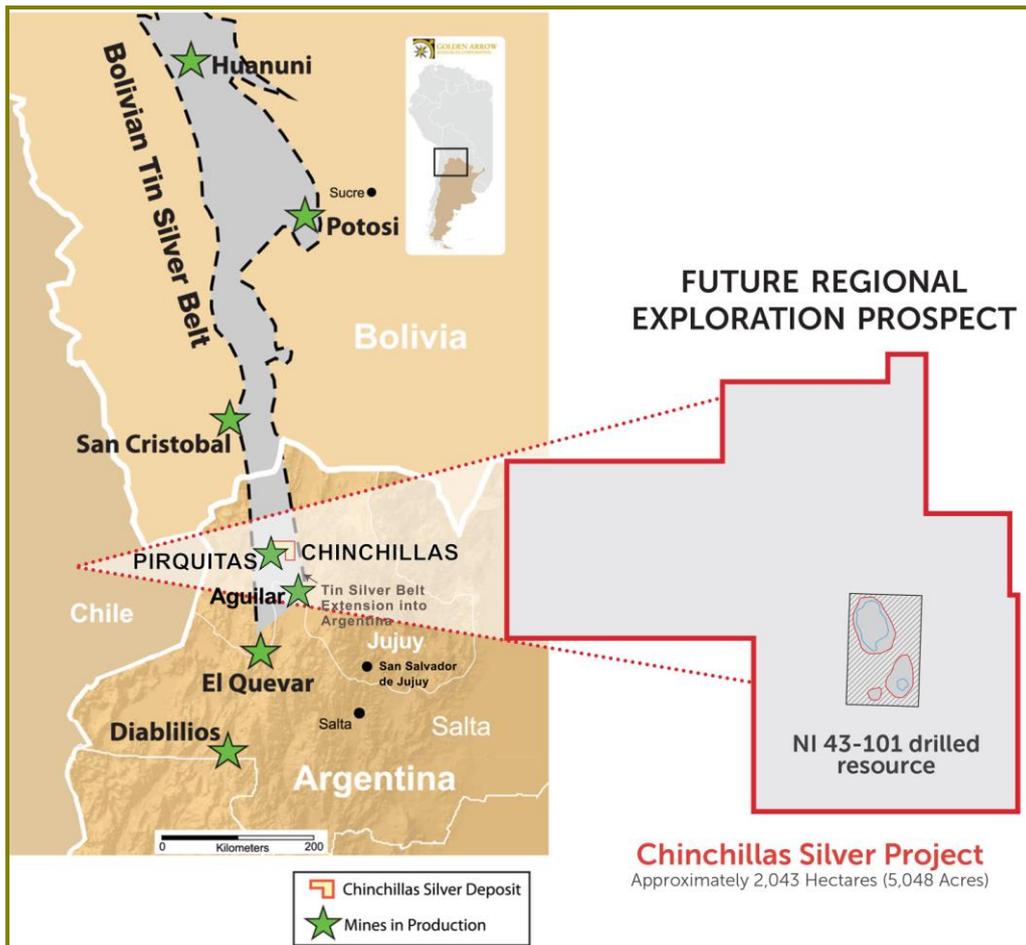
- ▶ **2018 Production Guidance**
- ▶ **Puna Operations looking for increasing annual production to 8.4 million ounces silver equivalent**

On January 17, 2018, **Golden Arrow Resources** reported a production update for the 4th quarter and year-end 2017 operating results, as well as 2018 guidance for the **Puna Operations**, as reported by the project operator **SSR Mining**. **Golden Arrow** owns a 25% share of **Puna Operations** which is producing silver concentrate from stock piles and developing the nearby **Chinchillas Silver Project**.

The Company received \$ 17.8 million payment from SSR Mining on May 31, 2017 when the joint venture was formed.

The production guidance for 2017 exceeded the upper end of the upwardly revised annual producer guidance with a total of 6.2 million ounces of silver produced. 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.





2018 guidance

With the receipt of permits in December 2017 to construct the **Chinchillas Project, Puna Operations** in Ju-juy Province will complete development of the deposit in 2018 to materially extend its operating life. Consistent with the prefeasibility study on this high return project, project development expenditures are expected to total \$ 87 million, with \$ 70 million remaining to be invested in 2018.

2017 was a significant year for **Golden Arrow** as the Company moved to establish two value streams. The production increased from the integration and production start-up, within the next six months, of the **Chinchillas Silver Deposit**, will be the **first value stream** creating yearly income for **Golden Arrow**.

The **second value stream** will be from the continuation of the Company's successful technical exploration team targeting key projects in **Golden Arrow's** prolific property portfolio, for which Golden Arrow has formed a 100%-owned subsidiary called **New Golden Explorations**, which will seek a listing on the stock exchange to access funding for future exploration.

The Company intends to initially give up 40% and retain a 60% carried interest in new discovery values, which can add potential sizeable value to the Company.

First ore delivery to the Pirquitas mill is expected in the second half of 2018, with sequential ramp up through the remaining months of 2018. Once Chinchillas ore is being processed, **Puna Operations** will produce lead, silver and zinc concentrates, **eventually reaching planned life of mine annual average production of 8.4 million ounces silver equivalent**.

This operation is expected to produce between 3.0 million and 4.4 million ounces of silver in 2018 with approximately 16 million ounces of production anticipated in the first half of the year based solely on processing of stockpiled Chinchillas production anticipated in the second half of 2018.

Operating Guidance		Puna Operations (25% interest) ⁽⁴⁾
Silver Production	Moz	3.0 – 4.4
Lead Production	Mlb	7.0 – 12.5
Zinc Production	Mlb	5.5 – 7.5
Cash Costs per Payable Ounce Sold ⁽¹⁾	\$/oz	\$12.50 – \$15.00
Sustaining Capital Expenditures ⁽²⁾	\$M	\$10.0
Capitalized Stripping / Capitalized Development	\$M	\$10.0
Exploration Expenditures ⁽³⁾	\$M	\$1.0

Notes:

1. Cash costs figures are presented on a by-product basis.
2. Sustaining capital expenditures exclude initial capital expenditures related to the development of the Chinchillas project.
3. Includes capitalized and expensed exploration expenses.
4. Shown on a 100% basis unless otherwise indicated.

Investment comments:

With its exploration activities focused on Argentina, the announced US\$ 1 million exploration program at its **Pescado Gold Project** in San Juan Province, follows the recent business agreement with SSR Mining to combine its **Chinchillas Silver-Lead-Zinc Project** with SSR's Pirquitas Silver-Zinc mining operation in the formed **Puna Operations**. This strategic step has significantly exceeded **Golden Arrow's** potential as a junior silver producer, enhanced by its strong financial position after having received C\$ 17.8 million for the Pirquitas payment.

In this respect, it is noteworthy that the Puna Operations will be one of SSR's three priority projects, next to its producing Marigold Mine in the United States and the Seabee Gold Operation in Canada. SSR has a present market valuation of C\$ 1.24 billion.

Puna Operations offers a 8.4 million silver equivalent production for 8 years, and calculated at a silver price of \$ 19.50 per ounce represents US\$ 11.38 billion in gross sales, resulting in a post-tax cash flow of \$ 267 million and an NPV (5%) of \$ 178 million.

It is to be noted that only 25 hectares of the **Chinchillas Project** has been explored in detail to date, and the remaining 1,978 hectares having remained under- or unexplored.

Besides Puna Operations, **Golden Arrow's** other properties, including the **Pescado Gold Project**, to be separated into **New Golden Explorations**, this could represent a significant added value, which stresses my investment recommendation.

My 2018 price target remains C\$ 0.90.