

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

**FORM 10-Q**

(MARK ONE)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2019.

**OR**  
**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
COMMISSION FILE NUMBER 1-13627

**GOLDEN MINERALS COMPANY**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

26-4413382

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

350 INDIANA STREET, SUITE 800  
GOLDEN, COLORADO

80401

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(303) 839-5060

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	AUMN	NYSE American

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

At November 11, 2019, 106,734,279 shares of common stock, \$0.01 par value per share, were issued and outstanding.

GOLDEN MINERALS COMPANY  
FORM 10-Q  
QUARTER ENDED SEPTEMBER 30, 2019

INDEX

	<u>PAGE</u>
<u>PART I – FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (Unaudited)</u>	3
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	26
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	35
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	36
<u>PART II – OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	37
<u>ITEM 1A. RISK FACTORS</u>	37
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	37
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	37
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	37
<u>ITEM 5. OTHER INFORMATION.</u>	37
<u>ITEM 6. EXHIBITS</u>	38
<u>SIGNATURES</u>	39

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**GOLDEN MINERALS COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Expressed in United States dollars)**  
(Unaudited)

	September 30, 2019	December 31, 2018
	(in thousands, except share data)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 6)	\$ 2,892	\$ 3,293
Short-term investments (Note 6)	—	330
Lease receivables	460	481
Inventories, net (Note 8)	227	229
Value added tax receivable, net (Note 9)	11	14
Prepaid expenses and other assets (Note 7)	374	619
Total current assets	3,964	4,966
Property, plant and equipment, net (Note 10)	6,304	7,109
Other long term assets (Note 11)	965	569
Total assets	<u>\$ 11,233</u>	<u>\$ 12,644</u>
<b>Liabilities and Equity</b>		
Current liabilities		
Accounts payable and other accrued liabilities (Note 12)	\$ 1,665	\$ 1,969
Deferred revenue, current (Note 18)	293	293
Other current liabilities (Note 13)	1,649	12
Total current liabilities	3,607	2,274
Asset retirement and reclamation liabilities (Note 14)	2,782	2,683
Deferred revenue, non-current (Note 18)	88	307
Other long term liabilities (Note 14)	384	10
Total liabilities	6,861	5,274
Commitments and contingencies (Note 21)		
Equity (Note 17)		
Common stock, \$.01 par value, 200,000,000 shares authorized; 106,734,279 and 95,620,796 shares issued and outstanding respectively	1,067	955
Additional paid in capital	521,268	517,806
Accumulated deficit	(517,963)	(511,391)
Shareholders' equity	4,372	7,370
Total liabilities and equity	<u>\$ 11,233</u>	<u>\$ 12,644</u>

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

**GOLDEN MINERALS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in United States dollars)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands except per share data)		(in thousands, except per share data)	
<b>Revenue:</b>				
Oxide plant lease (Note 18)	\$ 1,944	\$ 1,900	\$ 5,852	\$ 5,267
Total revenue	1,944	1,900	5,852	5,267
<b>Costs and expenses:</b>				
Oxide plant lease costs (Note 18)	(594)	(657)	(1,804)	(1,685)
Exploration expense	(935)	(1,077)	(3,119)	(3,017)
El Quevar project expense	(582)	(364)	(1,584)	(917)
Velardeña shutdown and care and maintenance costs	(422)	(428)	(1,391)	(1,409)
Administrative expense	(742)	(673)	(2,784)	(2,556)
Stock based compensation	(72)	139	(725)	(111)
Reclamation expense	(57)	(53)	(171)	(156)
Other operating income, net (Notes 9 & 10)	45	3,188	225	4,638
Depreciation and amortization	(270)	(337)	(814)	(897)
Total costs and expenses	(3,629)	(262)	(12,167)	(6,110)
Income (loss) from operations	(1,685)	1,638	(6,315)	(843)
<b>Other income and (expense):</b>				
Interest and other income (expense), net (Note 19)	(42)	(59)	(182)	54
Gain (loss) on foreign currency	(24)	7	(63)	(46)
Total other income (loss)	(66)	(52)	(245)	8
Income (loss) from operations before income taxes	(1,751)	1,586	(6,560)	(835)
Income taxes (Note 16)	(9)	(1)	(9)	(4)
Net income (loss)	\$ (1,760)	\$ 1,585	\$ (6,569)	\$ (839)
<b>Net income (loss) per common share — basic</b>				
Income (loss)	\$ (0.02)	\$ 0.02	\$ (0.07)	\$ (0.01)
<b>Net income (loss) per common share — diluted</b>				
Income (loss)	(0.02)	0.02	(0.07)	(0.01)
<b>Weighted average Common Stock outstanding - basic</b>	104,764,260	95,271,194	99,263,135	93,572,608
<b>Weighted average Common Stock outstanding - diluted (1)</b>	104,764,260	99,461,233	99,263,135	93,572,608

(1) Potentially dilutive shares for loss periods have not been included because to do so would be anti-dilutive.

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

**GOLDEN MINERALS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in United States dollars)**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(in thousands)</b>	
<b>Cash flows from operating activities:</b>		
Net cash used in operating activities (Note 20)	\$ (3,122)	\$ (3,701)
<b>Cash flows from investing activities:</b>		
Proceeds from sale of assets	144	4,699
Proceeds from sale of trading securities	113	—
Acquisitions of property, plant and equipment	(28)	(61)
Net cash from investing activities	\$ 229	\$ 4,638
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock, net of issuance costs	2,492	809
Net cash from financing activities	\$ 2,492	\$ 809
Net decrease in cash and cash equivalents	(401)	1,746
Cash and cash equivalents, beginning of period	3,293	3,250
Cash and cash equivalents, end of period	\$ 2,892	\$ 4,996

See Note 20 for supplemental cash flow information.

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

**GOLDEN MINERALS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in United States dollars)  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total Equity
	Shares	Amount				
<b>Balance, December 31, 2017</b>	<b>91,929,709</b>	<b>\$ 919</b>	<b>\$ 516,284</b>	<b>\$ (509,082)</b>	<b>\$ (40)</b>	<b>\$ 8,081</b>
Cumulative adjustment related to change in accounting principle (Note 5)	—	—	—	(89)	40	(49)
Adjustment related to correction of immaterial error (Note 3)	—	—	—	(154)	—	(154)
<b>Adjusted balance at January 1, 2018</b>	<b>91,929,709</b>	<b>\$ 919</b>	<b>\$ 516,284</b>	<b>\$ (509,326)</b>	<b>\$ —</b>	<b>\$ 7,877</b>
Stock compensation accrued and shares issued for vested stock awards	537,279	4	221	—	—	225
Registered direct purchase agreement, net (Note 17)	3,153,808	32	1,210	—	—	1,242
Deemed dividend on warrants (Note 5)	—	—	8	(8)	—	—
Net loss for nine months ended September 30, 2018	—	—	—	(839)	—	(839)
<b>Balance, September 30, 2018</b>	<b>95,620,796</b>	<b>955</b>	<b>517,723</b>	<b>(510,173)</b>	<b>—</b>	<b>8,505</b>
<b>Balance, December 31, 2018</b>	<b>95,620,796</b>	<b>\$ 955</b>	<b>\$ 517,806</b>	<b>\$ (511,278)</b>	<b>\$ —</b>	<b>\$ 7,483</b>
Adjustment related to correction of immaterial error (Note 3)	—	—	—	(113)	—	(113)
<b>Adjusted balance at January 1, 2019</b>	<b>95,620,796</b>	<b>\$ 955</b>	<b>\$ 517,806</b>	<b>\$ (511,391)</b>	<b>\$ —</b>	<b>\$ 7,370</b>
Stock compensation accrued and shares issued for vested stock awards (Note 17)	312,000	3	499	—	—	502
Modification of previously awarded KELTIP Units (Note 17)	—	—	583	—	—	583
Shares issued under the at-the-market offering agreement, net (Note 17)	33,995	1	11	—	—	12
Shares issued under the Lincoln Park commitment purchase agreement, net (Note 17)	2,113,642	21	507	—	—	528
Registered direct offering agreement, net (Note 17)	8,653,846	87	1,860	—	—	1,947
Deemed dividend on warrants (Note 5)	—	—	2	(2)	—	—
Net loss for nine months ended September 30, 2019	—	—	—	(6,569)	—	(6,569)
<b>Balance, September 30, 2019</b>	<b>106,734,279</b>	<b>\$ 1,067</b>	<b>\$ 521,268</b>	<b>\$ (517,963)</b>	<b>\$ —</b>	<b>\$ 4,372</b>

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

**GOLDEN MINERALS COMPANY**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States dollars)**  
**(Unaudited)**

**1. Basis of Preparation of Financial Statements and Nature of Operations**

Golden Minerals Company (the “Company”), a Delaware corporation, has prepared these unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). The interim condensed consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, but in the opinion of management, include all adjustments necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year; accordingly, these interim financial statements should be read in conjunction with the annual financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and filed with the SEC on February 28, 2019.

The Company is a mining company holding a 100% interest in the El Quevar advanced exploration silver property in the province of Salta, Argentina, the Velardeña and Chicago precious metals mining properties and associated oxide and sulfide processing plants in the State of Durango, Mexico (the “Velardeña Properties”), and a diversified portfolio of precious metals and other mineral exploration properties located primarily in or near historical precious metals producing regions of Mexico, Nevada and Argentina. The El Quevar advanced exploration property and the Velardeña Properties are the Company’s only material properties.

The Company remains focused on evaluation activities at its El Quevar exploration property in Argentina and on evaluating and searching for mining opportunities in North America with near term prospects of mining. The Company is also focused on continuing its exploration efforts on selected properties in its portfolio of approximately 12 exploration properties located in Mexico, Nevada, and Argentina.

During November 2015 the Company suspended mining and sulfide processing activities at its Velardeña Properties in order to conserve the asset until the Company is able to develop mining and processing plans that at then current prices for silver and gold indicate a sustainable positive operating margin (defined as revenues less costs of sales) or the Company is able to locate, acquire and develop alternative mineral sources that could be economically mined and transported to the Velardeña Properties for processing. The Company maintains a core group of employees at the Velardeña Properties, most of whom have been assigned to operate and provide administrative support for the oxide plant, which is leased to a subsidiary of Hecla Mining Company (“Hecla”). The employees at the Velardeña Properties also include an exploration group and an operations and administrative group to continue to advance the Company’s plans in Mexico, oversee corporate compliance activities, and to maintain and safeguard the longer-term value of the Velardeña Properties assets.

On June 26, 2019, the Company entered into a Purchase and Sale Agreement (the “Agreement”) along with its indirectly wholly-owned subsidiary, Minera de Cordilleras S. de R.L. de C.V., to sell certain assets to Compañía Minera Autlán S.A.B. de C.V. (“Autlán”) for US\$22.0 million. Upon execution of the Agreement, Autlán paid the Company a deposit of US\$1.5 million (see Note 13). Under the terms of the Agreement, Autlán had agreed to purchase three of the Company’s Mexican subsidiaries, which together hold the Velardeña properties, including the Velardeña and Chicago mines (which are currently on care and maintenance), two processing plants, mining equipment and other adjacent exploration properties. The sale would have also included the Velardeña oxide plant lease as well as the Rodeo and Santa Maria project concessions. The Agreement provided for a period of up to 75 days for Autlán to conduct due diligence related to the three subsidiary companies, the Rodeo concessions and the Santa Maria concessions. Under the Agreement, Autlán had the right to terminate the Agreement at any time during the due diligence period. On September 11, 2019, the Company announced that Autlán exercised its right to terminate the Agreement. As a result of the termination of the Agreement, the Company is required to repay the \$1.5 million deposit amount, plus interest at 3% per annum, within 90 days following termination (on or before December 8, 2019) (the “Due Date”). If the Company does not pay such amount prior to the Due Date, then the Company shall convey the Rodeo concessions to Autlán in full settlement of the deposit. If the Rodeo concessions cannot be conveyed for any reason (as determined by Autlán in its reasonable discretion), the Company will be obligated to repay the deposit by making dedicated monthly payments equal to approximately 60 percent of the anticipated cash flow from the lease of the Velardeña oxide plant until the deposit amount is repaid with interest at approximately 11% per annum. The \$1.5 million deposit is recorded in “*Other Current Liabilities*” on the accompanying Condensed Consolidated Balance Sheets (see Note 13).

In connection with the Agreement, at June 30, 2019, the Company reported the results of operations for the Velardeña Properties and related subsidiaries as discontinued operations and assets held for sale for the periods presented in the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows. Due to the termination of the Agreement, the Company is no longer reporting the Velardeña Properties and related subsidiaries as discontinued operations and assets held for sale.

The Company is considered an exploration stage company under SEC criteria since it has not yet demonstrated the existence of proven or probable mineral reserves, as defined by SEC Industry Guide 7, at any of its properties. Until such time, if ever, that the Company demonstrates the existence of proven or probable reserves pursuant to SEC Industry Guide 7, we expect to remain as an exploration stage company.

## 2. Liquidity

At September 30, 2019, the Company's aggregate cash and cash equivalents totaled \$2.9 million, compared to the \$3.3 million in similar assets held at December 31, 2018. The September 30, 2019 balance is due in part from the following expenditures and cash inflows for the nine months ended September 30, 2019. Expenditures totaled \$8.8 million from the following:

- \$3.1 million in exploration expenditures, including work at the Yoquivo, Sand Canyon, Santa Maria and other properties;
- \$1.3 million in care and maintenance costs at the Velardeña Properties;
- \$1.6 million in exploration and evaluation activities, care and maintenance and property holding costs at the El Quevar project; and
- \$2.8 million in general and administrative expenses.

The foregoing expenditures were offset by cash inflows of \$8.4 million from the following:

- \$4.0 million of net operating margin received pursuant to the oxide plant lease (defined as oxide plant lease revenue less oxide plant lease costs);
- \$1.9 million of net proceeds from the sale of the Company's common stock in a registered direct offering (as described in Note 17);
- \$1.5 million received as a deposit related to the proposed sale of the Velardeña Properties and other mineral concessions to Autlán (as described in Notes 1 and 13);
- \$0.6 million, net of commitment fees and other offering related costs, from the LPC Program (as described in Note 17);
- \$0.1 million from the sale of miscellaneous assets and \$0.1 million from the sale of an investment in a junior mining company (Note 6); and
- \$0.2 million from a decrease in working capital primarily related to increased accounts payables for general and administrative expenses.

In addition to the \$2.9 million cash balance at September 30, 2019, in October 2019 the Company entered into an option to purchase agreement for the sale of its interest in the Santa Maria property and expects to receive an initial cash payment of \$1.0 million in connection with the transaction by the end of the first quarter 2020 (Note 24). The Company also expects to receive an additional approximately \$4.8 million in net operating margin from the lease of the oxide plant

through the end of the third quarter 2020. The Company's budgeted expenditures, totaling \$9.8 million, during the next twelve months ending September 30, 2020 are as follows:

- Approximately \$2.5 million on exploration activities and property holding costs related to the Company's portfolio of exploration properties located in Mexico, Nevada and Argentina, including project assessment and evaluation costs relating to Yoquivo, Sand Canyon and other properties;
- Approximately \$1.6 million at the Velardeña Properties for care and maintenance;
- Approximately \$1.5 million for repayment of the Autlán deposit according to the terms of the Agreement (as described in Note 1);
- Approximately \$0.8 million at the El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs;
- Approximately \$3.1 million on general and administrative costs; and
- Approximately \$0.3 million for income tax payments due in Canada.

The Company's currently budgeted expenditures of \$9.8 million are slightly greater than the cash resources of \$8.7 million that are expected to be available during the period. Therefore, during the remainder of 2019 and through September 30, 2020, the Company will take appropriate actions, which may include sales of certain of the Company's exploration assets, reductions to the Company's currently budgeted level of spending, and/or raising additional equity capital through sales under the ATM Program (as defined in Note 17 below), the LPC Program or otherwise.

The actual amount of cash expenditures that the Company incurs during the twelve-month period ending September 30, 2020 may vary significantly from the amounts specified above and will depend on a number of factors, including variations from anticipated care and maintenance costs at the Velardeña Properties and costs for continued exploration, project assessment, and development at the Company's other exploration properties, including El Quevar. Likewise, the actual amount of cash receipts that the Company receives during the period may vary significantly from the amounts specified above due to, among other things, a decrease in the quantity of material processed under the oxide plant lease, an unexpected early termination of the oxide plant lease by the lessee, or the election by the purchaser of the Santa Maria property to terminate the proposed acquisition prior to payment of the initial \$1.0 million portion of the purchase price. If cash expenditures are greater than anticipated or if cash receipts are less than anticipated, the Company would need to take more aggressive actions to maintain sufficient cash balances over the next twelve months.

The consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the normal course of business. However, the Company's continuing long-term operations are dependent upon its ability to secure sufficient funding and to generate future profitable operations. The underlying value and recoverability of the amounts shown as property, plant and equipment in the Company's consolidated financial statements are dependent on its ability to generate positive cash flows from operations and to continue to fund exploration and development activities that would lead to profitable mining activities or to generate proceeds from the disposition of property, plant and equipment.

There can be no assurance that the Company will be successful in generating future profitable operations or securing additional funding in the future on terms acceptable to the Company or at all. The Company believes the continuing cash flow from the lease of the oxide plant, use of the ATM Program and the LPC Program, and the potential for additional asset dispositions make it probable that the Company will have sufficient cash to meet its financial obligations and continue its business strategy beyond one year from the filing of the Company's consolidated financial statements for the period ended September 30, 2019.

### 3. Correction of Immaterial Error – Income Taxes

In the third quarter 2019, the Company became aware that it had failed to timely file withholding tax returns and pay taxes that were due at the end of 2017 and 2018 relating to return of capital distributions made to the Company by one of the Company's wholly-owned subsidiaries (see Note 16). The effect of correcting this error was to reduce beginning retained earnings by \$154,000 and \$113,000 at January 1, 2018 and January 1, 2019, respectively as reflected in the accompanying Condensed Consolidated Statements of Changes in Equity.

The Company evaluated the materiality of the error described above from a qualitative and quantitative perspective. Based on such evaluation, the Company concluded that while the accumulation of the error was significant to the three months ended September 30, 2019, the correction would not be material to any individual prior period, nor did it have an effect on the trend of financial results, taking into account the requirements of the SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). Accordingly, we are correcting the error for every effected period of the 2018 Condensed Consolidated Financial Statements included in this Form 10-Q.

### 4. New Accounting Pronouncements

During the first quarter 2019 the Company adopted ASU 2016-02, "Leases" ("ASU 2016-02") and ASU No. 2018-11 "Leases (Topic 842)" ("ASU 2018-11"), which require lessees to recognize a right-of-use asset and a lease liability for all leases with terms greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For a lessor, the accounting applied is largely unchanged from previous guidance. The Company currently leases administrative offices in the U.S. and in several foreign locations under lease agreements that typically exceed one year. The Company has elected the modified retrospective method of adopting ASU 2016-02 (see Note 5).

During the first quarter 2018 the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") which was issued by the Financial Accounting Standards Board ("FASB") in May 2014. The Company also adopted ASU No. 2017-05, "Other Income (Subtopic 310-20)" ("ASU 2017-05"), which was issued by the FASB in February 2017 clarifying the scope of Subtopic 610-20, which was originally issued as part of ASU 2014-09. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized and the related cash flows. The Company has elected the modified retrospective method of adopting ASU 2014-09 (see Note 5).

During the first quarter 2018 the Company adopted ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which amended its accounting treatment for the recognition, measurement, presentation and disclosure of certain financial assets. ASU 2016-01 requires equity investments that have a readily determinable fair value to be measured at fair value through net income. Previously, entities would recognize changes in fair value of available-for-sale equity securities in other comprehensive income, and would recognize in net income impairment losses that were other-than-temporary. There will no longer be an available-for-sale classification (with changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. The Company recognized retrospectively the cumulative effect of initially adopting ASU 2016-01 (see Note 5).

### 5. Change in Accounting Principle

#### *Leases*

Effective January 1, 2019 the Company adopted ASU 2016-02 and ASU No. 2018-11, which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For a lessor, the accounting applied is largely unchanged from previous guidance. The Company currently leases administrative offices in the U.S. and in several foreign locations under lease agreements that typically exceed one year. The Company has elected the modified retrospective method of adopting ASU 2016-02 per Topic 842. The adoption of ASU 2016-02 and ASU No. 2018-11 at January 1, 2019 resulted in only a negligible difference to amounts already recorded by the Company in its Consolidated Balance Sheets as of December 31, 2018, and as result the Company did not

record an adjustment to the beginning balance of retained earnings at January 1, 2019, as required under the modified retrospective method.

The Company took possession of new office space and began a new long-term lease for its principal headquarters office with an effective commencement date of June 1, 2019. The new office lease will expire five years and eight full calendar months following the commencement date. There are no options to extend the lease beyond the stated term. The Company recorded a right of use asset of approximately \$465,000 (see Note 10) and a lease liability of approximately \$450,000 (see Note 13) in the second quarter of 2019 based on the net present value of the future lease payments discounted at 9.5%, which represents the Company's incremental borrowing rate for purposes of applying the guidance of Topic 842. As required, the Company will recognize a single lease cost on a straight-line basis.

The Company also has long-term office leases in Mexico and Argentina that will expire in 2019 and has recorded a combined lease liability of approximately \$18,000 and combined right of use asset of approximately \$18,000 relating to both of those leases.

#### *Other Income Related to the Sale of Exploration Properties*

During the first quarter 2018 the Company adopted ASU No. 2014-09, which was issued by the FASB in May 2014. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized and the related cash flows. The Company has elected the modified retrospective method of initially adopting ASU 2014-09.

ASU 2014-09 requires, in certain instances, that transactions covered by ASC Topic 610, "Other Income" ("Topic 610") follow the recognition, measurement and disclosure guidelines established by ASU 2014-09. The Company generally follows the guidance of Topic 610 with respect to the recognition of income from the farm-out or sale of exploration properties. As of the beginning of 2018, the Company had one open contract impacted by the adoption of ASU 2014-09, involving an option agreement under which Santacruz Silver Mining Ltd. ("Santacruz") could acquire the Company's interest in certain nonstrategic mineral claims located in the Zacatecas Mining District, Zacatecas, Mexico (the "Zacatecas Properties") for a series of payments totaling \$1.5 million (Note 10). In applying ASU 2014-09, approximately \$49,000 of the income recognized from the Santacruz transaction in the fourth quarter of 2017 would have been recognized in the first quarter of 2018. Accordingly, the Company has recognized retrospectively the cumulative effect of initially adopting ASU 2014-09 by recording a negative adjustment to retained earnings of \$49,000 at the beginning of 2018, included in the Company's Condensed Consolidated Statement of Changes in Equity, and recording \$49,000 in "Other operating income, net" in the accompanying Condensed Consolidated Statements of Operations for the period ended September 30, 2018. See Note 10 for a further description of the contract with Santacruz and the identification of performance obligations and other significant judgments used in applying the guidance of Topic 606 to the contract.

#### *Trading Securities*

During the first quarter 2018 the Company adopted ASU No. 2016-01, which amended its accounting treatment for the recognition, measurement, presentation and disclosure of certain financial assets. ASU 2016-01 requires equity investments that have readily determinable fair values to be measured at fair value through net income. Previously, entities would recognize changes in fair value of available-for-sale equity securities in other comprehensive income and would recognize in net income impairment losses that were other-than-temporary. There will no longer be an available-for-sale classification (with changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values (see Note 6). At December 31, 2017, the Company had equity securities classified as available-for-sale and reported at fair value of \$238,000, with cumulative unrealized losses of \$40,000 recorded in "Accumulated other comprehensive loss" on its Condensed Consolidated Balance Sheets. The Company has recognized the cumulative effect of initially adopting ASU 2016-01 by recording a negative adjustment to retained earnings and other comprehensive income of \$40,000 at the beginning of 2018, included in the Company's Condensed Consolidated Statement of Changes in Equity. Subsequent to adopting ASU 2016-01 The Company recorded a mark-to-market gain of approximately \$51,000 for the period ended September 30, 2018, with both amounts being recorded to "Interest and other income (expense), net". The trading securities were all liquidated during the third quarter 2019 (see Note 6).

## 6. Cash and Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Short-term investments include investments with maturities greater than three months, but not exceeding 12 months, or highly liquid investments with maturities greater than 12 months that the Company intends to liquidate during the next 12 months for working capital needs.

The following table summarizes the Company's short-term investments at December 31, 2018:

<u>December 31, 2018</u>	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Carrying Value</u>
		(in thousands)	
<b>Investments:</b>			
Short-term:			
Trading securities	\$ 275	\$ 330	\$ 330
Total trading securities	275	330	330
Total short term	<u>\$ 275</u>	<u>\$ 330</u>	<u>\$ 330</u>

The short-term investments at December 31, 2018 consist of 7,500,000 common shares, approximately 10% of the outstanding common shares, of Golden Tag Resources, Ltd. ("Golden Tag"), a junior mining company that was a joint venture partner in the Company's previously owned San Diego exploration property in Mexico. The Company acquired the shares during 2015 and 2016 in transactions involving the sale of its remaining 50% interest in the San Diego property to Golden Tag. All the Golden Tag shares were sold during the third quarter 2019, resulting in net proceeds of approximately \$113,000 and a loss on the sale of approximately \$57,000 recorded in "Interest and other income (expense), net". For the nine months ended September 30, 2019 the Company recorded total losses related to ownership of the Golden Tag shares of approximately \$217,000.

### Credit Risk

The Company invests substantially all of its excess cash with high credit-quality financial institutions or in U.S. government or debt securities. Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. For cash and equivalents and investments, credit risk represents the carrying amount on the balance sheet. The Company mitigates credit risk for cash and equivalents and investments by placing its funds and investments with high credit-quality financial institutions, limiting the amount of exposure to each of the financial institutions, monitoring the financial condition of the financial institutions and investing only in government and corporate securities rated "investment grade" or better. The Company invests with financial institutions that maintain a net worth of not less than \$1 billion and are members in good standing of the Securities Investor Protection Corporation.

## 7. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets at September 30, 2019 and December 31, 2018 consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	(in thousands)	
Prepaid insurance	\$ 191	\$ 358
Recoupable deposits and other	183	261
	<u>\$ 374</u>	<u>\$ 619</u>

## 8. Inventories, net

Inventories at the Velardeña Properties at September 30, 2019 and December 31, 2018 consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	(in thousands)	
Material and supplies	\$ 227	\$ 229
	<u>\$ 227</u>	<u>\$ 229</u>

The material and supplies inventory at September 30, 2019 and December 31, 2018 is reduced by a \$0.2 million obsolescence allowance.

#### 9. Value added tax receivable, net

The Company has recorded value added tax (“VAT”) paid in Mexico and related to the Velardeña Properties as a recoverable asset. Mexico law allows for certain VAT payments to be recovered through ongoing applications for refunds. At September 30, 2019, the Company has also recorded approximately \$21,000 of VAT receivable as a reduction to VAT payable in Mexico, which appears in “*Accounts payable and other accrued liabilities*” on the Condensed Consolidated Balance Sheets.

During the nine months ended September 30, 2018 the Company utilized a VAT credit in Mexico that had been previously fully offset by a valuation allowance and recorded other income of \$0.1 million, included in “*Other operating income, net*” in the accompanying Condensed Consolidated Statements of Operations. The Company has also paid VAT in Mexico as well as other countries, primarily related to exploration projects, which has been charged to expense as incurred because of the uncertainty of recoverability.

#### 10. Property, Plant and Equipment, Net

The components of property, plant and equipment are as follows:

	September 30, 2019	December 31, 2018
	(in thousands)	
Mineral properties	\$ 9,353	\$ 9,353
Exploration properties	2,518	2,518
Royalty properties	200	200
Buildings	3,755	4,278
Mining equipment and machinery	16,038	16,024
Other furniture and equipment	884	888
Asset retirement cost	866	866
	<u>33,614</u>	<u>34,127</u>
Less: Accumulated depreciation and amortization	(27,310)	(27,018)
	<u>\$ 6,304</u>	<u>\$ 7,109</u>

##### *Celaya Farm-out*

In August 2016, the Company, through its wholly owned Mexican subsidiary, entered into an earn-in agreement with a 100% owned Mexican subsidiary of Electrum Group, LLC, a privately-owned company (together “Electrum”), related to the Company’s Celaya exploration property in Mexico. The Company received an upfront payment of \$0.2 million and Electrum agreed to incur exploration expenditures totaling at least \$0.5 million in the first year of the agreement, reduced by certain costs Electrum previously incurred on the property since December 2015 in its ongoing surface exploration program. Electrum initially earned the right to acquire an undivided 60% interest in a joint venture company to be formed to hold the Celaya project by incurring exploration expenditures totaling at least \$2.5 million during the initial first three years of the agreement. Electrum would serve as manager of the joint venture. Prior to subsequent amendments to the agreement, the Company would have been allowed to maintain a 40% interest in the Celaya project, following the initial earn-in period, by contributing its pro-rata share of an additional \$2.5 million in exploration or development expenditures incurred over a second three-year period.

In February 2018, the Company and Electrum amended the Celaya earn-in agreement to permit Electrum to earn, at its option, an incremental 20% interest in the Celaya project in exchange for a payment of \$1.0 million. Following the amendment, Electrum could have increased its total interest in the project to 80% by contributing 100% of the \$2.5 million of additional expenditures required in the second three-year earn-in period. Following the second earn-in period, and prior to the Company entering into a second and final amendment of the agreement, the Company could have maintained its 20% participating interest or its interest could ultimately have been converted into a carried 10% net profits interest if the Company elected not to participate as a joint venture owner.

In September 2018, the Company and Electrum entered into a second and final amendment of the Celaya earn-in agreement pursuant to which Electrum acquired 100% of the Company's remaining interest in the Celaya project in exchange for a payment of \$3.0 million. The transaction was set out in a definitive Assignment of Rights Agreement (the "Assignment Agreement") containing customary terms and conditions. The earn-in agreement was terminated upon entry into the Assignment Agreement.

The Company had previously expensed all of its costs associated with the Celaya property and accordingly recognized a gain of \$1.0 million from the execution of the first amendment to the agreement in the period ended September 30, 2018, included in "Other operating income, net" in the accompanying Condensed Consolidated Statements of Operations. The Company recognized a gain of \$3.0 million from the execution of the second amendment to the agreement in the nine-month period ended September 30, 2018.

#### *Zacatecas Farm-out*

In April 2016, the Company entered into an option agreement, which was later amended in February 2018, under which Santacruz acquired the Company's interest in the Zacatecas Properties for a series of payments totaling approximately \$1.5 million through October 2018, including \$249,000, \$225,000 and \$212,000 paid to the Company during the first, second and third quarters of 2018, respectively. The final payment due the Company of \$13,000 was received in October 2018. Upon receipt of each cash payment, the agreement imposed a performance obligation on the Company to provide Santacruz an exclusive right to the Zacatecas Properties to conduct exploration activities during the period from receipt of the payment until the next payment due date, with a final obligation, following receipt of the final payment, to formally acknowledge completion of the sale enabling Santacruz to register title to the properties in its name. At December 31, 2018 there were no further performance obligations and the Company had taken all steps necessary for Santacruz to take title to the properties.

The Company previously expensed all of its costs associated with the Zacatecas Properties. Because Santacruz was able to terminate the option agreement at any time, and the associated uncertainty relating to timely payments, the Company only recognized income, equal to the cash payments made, evenly over the period covered by each payment. The Company recognized approximately \$336,000 of income under the agreement for the nine months ended September 30, 2018, included in "Other operating income, net" in the accompanying Condensed Consolidated Statements of Operations. The Company also recorded a liability of approximately \$225,000 at September 30, 2018 representing its unearned performance obligation related to the agreement, included in "Other current liabilities" as reported in its Condensed Consolidated Balance Sheets.

## 11. Other Long-Term Assets

Other long-term assets at September 30, 2019 and December 31, 2018 consist of the following:

	September 30, 2019	December 31, 2018
	(in thousands)	
Deferred offering costs	\$ 511	\$ 569
Right of use assets	454	—
	<u>\$ 965</u>	<u>\$ 569</u>

The deferred offering costs are associated with the LPC Program and ATM Agreement (see Note 17). The right of use assets are related to certain office leases (see Note 5).

**12. Accounts Payable and Other Accrued Liabilities**

The Company's accounts payable and other accrued liabilities consist of the following:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	(in thousands)	
Accounts payable and accruals	\$ 562	\$ 358
Accrued employee compensation and benefits	829	1,344
Income taxes payable	274	267
	<u>\$ 1,665</u>	<u>\$ 1,969</u>

**September 30, 2019**

Accounts payable and accruals at September 30, 2019 are primarily related to amounts due to contractors and suppliers in the amounts of \$0.2 million related to the Company's Velardeña Properties and \$0.4 million related to exploration and corporate administrative activities. In the case of the Velardeña Properties, approximately, \$0.1 million is related to a net VAT payable.

Accrued employee compensation and benefits at September 30, 2019 consist of \$0.3 million of accrued vacation payable and \$0.5 million related to withholding taxes and benefits payable. Included in the \$0.8 million of accrued employee compensation and benefits is \$0.6 million related to activities at the Velardeña Properties.

The income taxes payable are related to certain Canadian taxes due on capital distributions the Company received from its Canadian subsidiary (see Note 16).

**December 31, 2018**

Accounts payable and accruals at December 31, 2018 are primarily related to amounts due to contractors and suppliers in the amounts of \$0.2 million related to the Company's Velardeña Properties and \$0.2 million related to corporate administrative and exploration activities. In the case of the Velardeña Properties, approximately \$0.1 million is related to a net VAT payable.

Accrued employee compensation and benefits at December 31, 2018 consist of \$0.2 million of accrued vacation payable and \$0.7 million related to withholding taxes and benefits payable. Included in the \$1.3 million of accrued employee compensation and benefits is \$0.6 million related to activities at the Velardeña Properties and \$0.4 million related to the KELTIP Units (see Note 17).

The income taxes payable are related to certain Canadian taxes due on capital distributions the Company received from its Canadian subsidiary (see Note 16).

**13. Other Liabilities*****Other Current Liabilities***

Included in other current liabilities for the period ended September 30, 2019 is a \$1.5 million liability related to the deposit received for the proposed sale of our Velardeña Properties and other mineral concessions to Autlán (see Note 1). As a result of termination of the Agreement, the Company is required to repay the \$1.5 million deposit amount, plus interest at 3% per annum on or before the Due Date and if such deposit is not repaid then the Company shall convey the Rodeo concessions to Autlán in full settlement of the deposit. If the Rodeo concessions cannot be conveyed for any reason (as determined by Autlán in its reasonable discretion), the Company will be required to repay the deposit by making dedicated monthly payments equal to approximately 60 percent of the anticipated cash flow from the lease of the Velardeña oxide plant until the deposit amount is repaid with interest at approximately 11% per annum.

Also included in other current liabilities is approximately \$0.1 million related to a lease liability for office space at the Company's principal headquarters in Golden and in Mexico and Argentina (see Note 5).

*Other Long-Term Liabilities*

Other long-term liabilities of \$0.4 million for the period ended September 30, 2019 is primarily related to a lease liability for office space at the Company's principal headquarters in Golden (see Note 5).

**14. Asset Retirement Obligation and Reclamation Liabilities**

The Company retained the services of a mining engineering firm to prepare a detailed closure plan for the Velardeña Properties. The plan was completed during the second quarter 2012 and indicated that the Company had an ARO and offsetting ARC of approximately \$1.9 million at that time.

The Company will continue to accrue additional estimated ARO amounts based on an asset retirement plan as activities requiring future reclamation and remediation occur. During the first nine months of 2019, the Company recognized approximately \$167,000 of accretion expense.

The following table summarizes activity in the Velardeña Properties ARO:

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
	(in thousands)	
Beginning balance	\$ 2,660	\$ 2,448
Changes in estimates, and other	(60)	2
Accretion expense	167	156
Ending balance	<u>\$ 2,767</u>	<u>\$ 2,606</u>

The change in estimate of the ARO recorded during 2019 is primarily the result of changes in assumptions related to inflation factors and the timing of future expenditures used in the determination of future cash flows.

The ARO set forth on the accompanying Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018 includes a nominal amount of reclamation liability related to activities at the El Quevar project in Argentina.

**15. Fair Value Measurements**

Financial assets and liabilities and nonfinancial assets and liabilities are measured at fair value under a framework of a fair value hierarchy which prioritizes the inputs into valuation techniques used to measure fair value into three broad levels. This hierarchy gives the highest priority to quoted prices (unadjusted) in active markets and the lowest priority to unobservable inputs. Further, financial assets and liabilities should be classified by level in their entirety based upon the lowest level of input that was significant to the fair value measurement. The three levels of the fair value hierarchy per ASC 820 are as follows:

**Level 1:** Unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

**Level 2:** Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data.

**Level 3:** Unobservable inputs due to the fact that there is little or no market activity. This entails using assumptions in models which estimate what market participants would use in pricing the asset or liability.

The following table summarizes the Company's financial assets and liabilities at fair value on a recurring basis at September 30, 2019 and December 31, 2018, by respective level of the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in thousands)			
<b>At September 30, 2019</b>				
Assets:				
Cash and cash equivalents	\$ 2,892	\$ —	\$ —	\$ 2,892
Lease receivables	460	—	—	460
	<u>\$ 3,352</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,352</u>
<b>At December 31, 2018</b>				
Assets:				
Cash and cash equivalents	\$ 3,293	\$ —	\$ —	\$ 3,293
Lease receivables	481	—	—	481
Short-term investments	330	—	—	330
	<u>\$ 4,104</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,104</u>

The Company's cash equivalents, comprised principally of U.S. treasury securities, are classified within Level 1 of the fair value hierarchy.

The Company's short-term investments consist of the common stock in Golden Tag and are classified within Level 1 of the fair value hierarchy (see Note 6). All of the Golden Tag shares were sold during the third quarter 2019.

#### *Non-recurring Fair Value Measurements*

There were no non-recurring fair value measurements at September 30, 2019 or December 31, 2018.

## **16. Income Taxes**

The Company accounts for income taxes in accordance with the provisions of ASC 740, "Income Taxes" ("ASC 740"), on a tax jurisdictional basis. For the nine months ended September 30, 2019 and September 30, 2018 the Company recognized income tax expense of \$9,000 and \$4,000, respectively. The Company operates in jurisdictions that have generated ordinary losses on a year-to-date basis. However, the Company is unable to recognize a benefit for those losses, except as described in this paragraph, thus an estimated effective tax rate has not been used to report the year-to-date results.

In accordance with ASC 740, the Company presents deferred tax assets net of its deferred tax liabilities on a tax jurisdictional basis on its Condensed Consolidated Balance Sheets. As of September 30, 2019 and as of December 31, 2018, the Company had no net deferred tax assets or net deferred tax liabilities reported on its balance sheet.

In the third quarter 2019, the Company became aware that it had failed to timely file withholding tax returns and pay taxes that were due relating to return of capital distributions made to the Company by ECU Silver Mining Inc. (the Company's wholly-owned Canadian subsidiary) at the end of 2017 and 2018. The capital distributions constituted dividends under Canadian tax law, subject to a 5% withholding tax. The Canadian withholding taxes, which constituted taxes on income for the months of December 2017 and December 2018, totaled approximately \$284,000 at September 30, 2019, including an estimate of interest due of approximately \$20,000 on the late filing. The Company has accrued this amount in "other accrued liabilities" in its Condensed Consolidated Balance Sheets at September 30, 2019. The Company has treated the income tax expense related to this liability as the correction of an accounting error and has adjusted the beginning balance of retained earnings at January 1, 2018 and January 1, 2019 (Note 3). The Company plans to apply to enter into the Canadian Revenue Agency's Voluntary Disclosure Program, whereby the Company will pay the taxes and the estimated interest due and request abatement of any penalties or additional interest that may apply. If the Canada Revenue Agency denies the Company's request for abatement, additional interest and penalties could be assessed.

The Company, a Delaware corporation, and its subsidiaries file tax returns in the United States and in various foreign jurisdictions. The tax rules and regulations in these countries are highly complex and subject to interpretation. The Company's income tax returns are subject to examination by the relevant taxing authorities and in connection with such

examinations, disputes can arise with the taxing authorities over the interpretation or application of certain tax rules within the country involved. In accordance with ASC 740, the Company identifies and evaluates uncertain tax positions, and recognizes the impact of uncertain tax positions for which there is less than a more-likely-than-not probability of the position being upheld upon review by the relevant taxing authority. Such positions are deemed to be “unrecognized tax benefits” which require additional disclosure and recognition of a liability within the financial statements. The Company had no unrecognized tax benefits at September 30, 2019 or December 31, 2018.

## 17. Equity

### Registered direct offering

On July 17, 2019, the Company entered into an agreement with certain institutional investors providing for the issuance and sale of 8,653,846 shares of the Company’s common stock at a price of \$0.26 per share, and in a concurrent private placement transaction, the issuance of 8,653,846 Series A warrants to purchase up to 8,653,846 shares of the Company’s common stock at an exercise price of \$0.35 per share, for aggregate gross proceeds of \$2.25 million (the “Offering”). Each Series A warrant will become exercisable on January 17, 2020 and will expire on January 17, 2025, five years from the initial exercise date. Each of the investors in the Offering held warrants that were issued by the Company in May 2016 and were exercisable until November 2021 at an exercise price of \$0.75 per share. In connection with the Offering, the Company also agreed to exchange, on a one-for-one basis, the May 2016 warrants for Series B warrants to purchase 4,500,000 shares of common stock at an exercise price of \$0.35 per share. Each Series B warrant will also become exercisable on January 17, 2020 and will expire on May 20, 2022 but are otherwise subject to the same terms and conditions as the Series A warrants.

The net proceeds of the Offering were recorded in equity and appear as a separate line item in the Condensed Consolidated Statements of Changes in Equity. Total costs for the Offering were approximately \$0.3 million, including the placement agent fee of six percent of aggregate gross proceeds, listing fees and legal and other costs. Such costs were recorded as a reduction to “*Additional paid in capital*” on the Condensed Consolidated Balance Sheets. Using the Black Scholes model, the fair value of the Series A warrants issued was approximately \$2.1 million and the incremental fair value of the Series B warrants, when compared to the warrants that they replaced, was approximately \$0.3 million. The Black Scholes inputs for the Series A warrants included the closing stock price on July 16, 2019 (the day preceding the date the Company entered into the agreement to issue the shares) of \$0.33, the exercise price and exercise period of the warrants, the Company’s applicable volatility rate for the period of the Series A warrants of 95%, and the applicable risk-free rate of 1.9%. The Black Scholes inputs for the Series B warrants included the closing stock price on July 16, 2019 of \$0.33, the exercise price and exercise period of the warrants, the Company’s applicable volatility rate for the period of the Series B warrants of 88%, and the applicable risk-free rate of 1.9%.

### Registered direct purchase agreement and commitment purchase agreement and registration rights agreement

On May 9, 2018 the Company entered into a registered direct purchase agreement (the “Registered Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“LPC”) pursuant to which LPC purchased 3,153,808 shares of the Company’s common stock at a price of \$0.4122 per share, the closing price of the Company’s common stock on the NYSE American on May 8, 2018, for an aggregate purchase price of \$1.3 million.

On May 9, 2018, the Company also entered into a commitment purchase agreement (the “Commitment Purchase Agreement”) and together with the Registered Purchase Agreement, the “LPC Program”) and a registration rights agreement (the “Registration Rights Agreement”) with LPC, pursuant to which the Company, at its sole discretion, has the right to sell up to an additional \$10.0 million of the Company’s common stock to LPC, subject to certain limitations and conditions contained in the Commitment Purchase Agreement. The Company closed on the Commitment Purchase Agreement in July 2018.

On June 7, 2018, pursuant to the terms of the Registration Rights Agreements, the Company filed a registration statement on Form S-1 (File No. 333-225483) (the “Registration Statement”) registering the resale up to 15,222,941 shares of the Company’s common stock to be issued to LPC pursuant to the terms of the Commitment Purchase Agreement. The Registration Statement was declared effective on June 28, 2018. Proceeds from the LPC Program will be used for general corporate purposes, including advancing the exploration program at the Company’s El Quevar property in Argentina.

Subject to the terms of the Commitment Purchase Agreement, the Company will control the timing and amount of any future sale of the Company's common stock to LPC. LPC has no right to require any sales by the Company under the Commitment Purchase Agreement but is obligated to make purchases at the Company's sole direction, as governed by such agreement. There are no upper limits to the price LPC may be obligated to pay to purchase common stock from the Company and the purchase price of the shares will be based on the prevailing market prices of the Company's shares at the time of each sale to LPC. LPC has agreed not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of the Company's shares of common stock. The Company has the right to terminate the Commitment Purchase Agreement at any time, at its discretion, without any cost or penalty.

In consideration for LPC's commitment to purchase shares pursuant to the Commitment Purchase Agreement, the Company paid LPC a commitment fee of \$300,000 and incurred an additional approximate \$191,000 in stock exchange fees, legal and other associated costs in connection with the LPC Program. The total costs for the LPC Program will be recorded as a reduction to equity as common stock is sold to LPC. As of December 31, 2018, approximately \$56,000 of LPC Program costs had been amortized against the \$1.3 million in proceeds received on May 8, 2018, resulting in \$434,000 of deferred LPC Program costs, recorded in "Other long-term assets" on the Condensed Consolidated Balance Sheets.

During the nine months ended September 30, 2019 the Company sold 2,113,642 shares of common stock to LPC under the LPC Program at an average sales price per share of approximately \$0.28, resulting in net proceeds of approximately \$590,000. In addition, approximately \$58,000 of LPC Program costs were amortized, resulting in a remaining balance of \$376,000 of deferred LPC Program costs, recorded in "Other long-term assets" on the Condensed Consolidated Balance Sheets as of September 30, 2019.

#### At the Market Offering Agreement

In December 2016, the Company entered into an at-the-market offering agreement (as amended from time to time, the "ATM Agreement") with H. C. Wainwright & Co., LLC ("Wainwright"), under which the Company may, from time to time, issue and sell shares of the Company's common stock through Wainwright as sales manager in an at-the-market offering under a prospectus supplement for aggregate sales proceeds of up to \$5.0 million (the "ATM Program") or a maximum of 10 million shares. On November 23, 2018 the Company entered into a second amendment of the ATM Agreement extending the agreement until the earlier of December 20, 2020, or the date that the ATM Agreement is terminated in accordance with the terms therein. The common stock will be distributed at the market prices prevailing at the time of sale. As a result, prices of the common stock sold under the ATM Program may vary as between purchasers and during the period of distribution. The ATM Agreement provides that Wainwright will be entitled to compensation for its services at a commission rate of 2.0% of the gross sales price per share of common stock sold.

During the first nine months of 2019, the Company sold an aggregate of 33,995 shares of common stock under the ATM Agreement at an average price of \$0.34 per share of common stock for total proceeds of approximately \$11,000. As of September 30, 2019, approximately \$135,000 of deferred ATM Program costs remained, recorded in "Other long term assets" on the Condensed Consolidated Balance Sheets.

The Company did not sell any stock under the ATM Program during the nine months ended September 30, 2018.

#### Equity Incentive Plans

Under the Company's Amended and Restated 2009 Equity Incentive Plan (the "Equity Plan") awards of the Company's common stock may be made to officers, directors, employees, consultants and agents of the Company and its subsidiaries. The Company recognizes stock-based compensation costs using a graded vesting attribution method whereby costs are recognized over the requisite service period for each separately vesting portion of the award.

The following table summarizes the status of the Company's restricted stock grants issued under the Equity Plan at September 30, 2019 and the changes during the nine months then ended:

<b>Restricted Stock Grants</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Outstanding at December 31, 2018	340,001	\$ 0.45
Granted during the period	312,000	0.26
Restrictions lifted during the period	(290,664)	0.39
Forfeited during the period	—	—
Outstanding September 30, 2019	<u>361,337</u>	\$ 0.33

For the nine months ended September 30, 2019 the Company recognized approximately \$100,000 of compensation expense related to the restricted stock grants. The Company expects to recognize additional compensation expense related to these awards of approximately \$84,000 over the next 32 months. Of the 290,664 grants for which the restriction was lifted 186,665 were related to grants made in prior years and 103,999 were related to grants made during the current year for which one third of the shares vested on the grant date.

The following table summarizes the status of the Company's stock option grants issued under the Equity Plan at September 30, 2019 and the changes during the nine months then ended:

<b>Equity Plan Options</b>	<b>Number of Shares</b>	<b>Weighted Average Exercise Price Per Share</b>
Outstanding at December 31, 2018	30,310	\$ 8.06
Granted during the period	—	—
Forfeited or expired during period	—	\$ —
Exercised during period	—	—
Outstanding September 30, 2019	<u>30,310</u>	\$ 8.06
Exercisable at end of period	30,310	\$ 8.06
Granted and vested	30,310	\$ 8.06

Also, pursuant to the Equity Plan, the Company's Board of Directors adopted the Non-Employee Director's Deferred Compensation and Equity Award Plan (the "Deferred Compensation Plan"). Pursuant to the Deferred Compensation Plan the non-employee directors receive a portion of their compensation in the form of Restricted Stock Units ("RSUs") issued under the Equity Plan. The RSUs generally vest on the first anniversary of the grant and each vested RSU entitles the director to receive one unrestricted share of common stock upon the termination of the director's board service.

The following table summarizes the status of the RSU grants issued under the Deferred Compensation Plan at September 30, 2019 and the changes during the nine months then ended:

<b>Restricted Stock Units</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Outstanding at December 31, 2018	2,230,038	\$ 0.93
Granted during the period	600,000	0.24
Restrictions lifted during the period	—	—
Forfeited during the period	—	—
Outstanding September 30, 2019	<u>2,830,038</u>	\$ 0.78

For the nine months ended September 30, 2019 the Company recognized approximately \$145,000 of compensation expense related to the RSU grants. The Company expects to recognize additional compensation expense related to the RSU grants of approximately \$91,000 over the next eight months.

Key Employee Long-Term Incentive Plan

The Company's 2013 Key Employee Long-Term Incentive Plan (the "KELTIP") provides for the grant of units ("KELTIP Units") to certain officers and key employees of the Company, which units will, once vested, entitle such officers and employees to receive an amount, in cash or in Company common stock (such method of settlement at the sole discretion of the Board of Directors) issued pursuant to the Company's Equity Plan, measured generally by the price of the Company's common stock on the settlement date. KELTIP Units are not an actual equity interest in the Company and are solely unfunded and unsecured obligations of the Company that are not transferable and do not provide the holder with any stockholder rights. Payment of the settlement amount of vested KELTIP Units is deferred generally until the earlier of a change of control of the Company or the date the grantee ceases to serve as an officer or employee of the Company.

At December 31, 2018 the Company had awarded 1,620,000 KELTIP Units to two officers of the Company, reported as a liability of approximately \$356,000 and included in "Accounts payable and other accrued liabilities" in the Condensed Consolidated Balance Sheets on the basis that the Company had the intent to settle the obligation in cash. Through December 31, 2018, the KELTIP Units were marked to market at the end of each reporting period and for the nine months ended September 30, 2018 the Company recognized an approximate \$338,000 reduction to compensation expense related to the KELTIP Units.

On February 26, 2019, the Company awarded an additional total of 705,000 KELTIP Units to two officers of the Company. Due to the Company's desire to preserve its limited current cash reserves for funding expenditures related to its portfolio of exploration projects, the Company determined it no longer had the current intent to settle any of its outstanding KELTIP Units in cash. The Company now intends to settle all of the KELTIP Units, including those previously issued, in common stock of the Company, an option that the Board of Directors holds in its sole discretion so long as sufficient shares remain available under the Equity Plan. As a result, the Company recorded approximately \$254,000 of compensation expense, included in "Stock based compensation" in the Condensed Consolidated Statement of Operations for the KELTIP Units awarded on February 26, 2019 with a similar amount recorded as "Additional Paid-in Capital" in the Condensed Consolidated Statements of Changes in Equity. The Company has treated the previously awarded KELTIP Units as effectively modified at February 26, 2019. The Company marked-to-market the prior KELTIP Units as of that date and recorded approximately \$227,000 of additional compensation expense, included in "Stock based compensation" in the Condensed Consolidated Statement of Operations and recorded approximately \$583,000 as "Additional Paid-in Capital" in the Condensed Consolidated Statements of Changes in Equity, an amount representing the sum of the compensation expense recorded on February 26, 2019 and the liability for the KELTIP Units recorded at December 31, 2018. All KELTIP Units are recorded in equity at September 30, 2019.

Common stock warrants

The following table summarizes the status of the Company's common stock warrants at September 30, 2019 and the changes during the nine months then ended:

<b>Common Stock Warrants</b>	<b>Number of Underlying Shares</b>	<b>Weighted Average Exercise Price Per Share</b>
Outstanding at December 31, 2018	11,517,696	\$ 0.81
Granted during period	8,653,846	0.35
Dilution adjustment	168,669	0.80
Expired during period	(5,686,365)	0.80
Exchanged during the period:		
May 2016 warrants	(4,500,000)	0.75
Series B warrants	4,500,000	0.35
Exercised during period	—	
Outstanding September 30, 2019	<u>14,653,846</u>	\$ 0.39

The warrants relate to prior and current registered offerings and private placements of the Company's stock.

In September 2014, the Company closed on a registered public offering and concurrent private placement with The Sentient Group (“Sentient”) in which it sold units, consisting of one share of common stock and a five-year warrant to acquire one half of a share of common stock at an exercise price of \$1.21 per share. A total of 4,746,000 warrant shares were issued that became exercisable on March 11, 2015. Pursuant to the anti-dilution clauses in the 2014 warrant agreements, the exercise price of the warrants has been adjusted downward as a result of the subsequent issuance of the Company’s common stock in separate transactions, including the conversion of the Senior Secured Convertible Note which the Company entered into in October 2015 to borrow \$5.0 million from Sentient, the Company’s largest stockholder, the May 2016 Offering and private placement, the ATM Program, the issuance of shares to Hecla in August 2017, the Registered Purchase Agreement with LPC and LPC share sales (discussed above) and the July 17, 2019 registered direct offering. Prior to their expiration on September 10, 2019, the number of shares of common stock issuable upon exercise of the September 2014 warrants increased from the original 4,746,000 shares to 5,686,365 shares (940,365 share increase) and the exercise price had been reduced from the original \$1.21 per share to \$0.80 per share. The 5,686,365 warrants expired on September 10, 2019, five years from the original date of issuance.

In May 2016, the Company issued 8.0 million registered shares of common stock at a purchase price of \$0.50 per share in a registered direct offering resulting in gross proceeds of \$4.0 million. In connection with the offering, each investor received an unregistered warrant to purchase three-quarters of a share of common stock for each share of common stock purchased. The resulting 6,000,000 warrant shares have an exercise price of \$0.75 per share, became exercisable on November 7, 2016 and were exercisable until November 6, 2021, five years from the initial exercise date. In connection with the July 2019 registered direct offering discussed above, the Company agreed to exchange, on a one-for-one basis, 4,500,000 of the May 2016 warrants for Series B warrants to purchase 4,500,000 shares of common stock at an exercise price of \$0.35 per share. Each Series B warrant is exercisable six months from the date of issuance and has a term expiring in May 2022.

As discussed above, on July 10, 2019, the Company issued 8,653,846 registered shares of common stock in a registered direct offering. In connection with the offering, each investor received an unregistered Series A warrant to purchase a share of common stock for each share of common stock purchased. Each Series A warrant is exercisable six months from the date of issuance and has a term expiring in January 2025.

All outstanding warrants are recorded in equity at September 30, 2019 and December 31, 2018.

#### **18. Revenue, Deferred Revenue and Related Costs Oxide Plant Lease and Oxide Plant Lease Costs**

For the nine months ended September 30, 2019 the Company recorded revenue of approximately \$5.9 million and related costs of approximately \$1.8 million associated with the lease of the Velardeña Properties oxide plant. The Company recognizes oxide plant lease fees and reimbursements for labor, utility and other costs as “*Revenue: Oxide plant lease*” in the Condensed Consolidated Statements of Operations following the guidance of ASC 842. ASC 842 supports recording as gross revenue the reimbursement of expenses incurred directly by the Company in performing its obligations under the lease in situations where the entity has control over the specific goods or services transferred to a customer as a principal versus as an agent. The actual costs incurred for reimbursed direct labor and utility costs are reported as “*Oxide plant lease costs*” in the Condensed Consolidated Statements of Operations. The Company recognizes lease fees during the period the fees are earned per the terms of the lease.

On August 2, 2017, the Company granted Hecla an option to extend the oxide plant lease for an additional period of up to two years ending no later than December 31, 2020 (the “Extension Period”) in exchange for a \$1.0 million upfront cash payment and the purchase of \$1.0 million, or approximately 1.8 million shares, of the Company’s common stock, issued at par at a price of \$0.55 per share, based on an undiscounted 30-day volume weighted average stock price. The option and lease extension were memorialized in (i) an Option Agreement dated August 2, 2017 among the Company and Hecla Mining Company (the “Option Agreement”), and (ii) a Second Amendment to Master Agreement and Lease Agreement dated August 2, 2017 among Minera William S.A. de C.V., an indirect subsidiary of the Company, and Minera Hecla S.A. de C.V., an indirect subsidiary of Hecla Mining Company (the “Second Amendment”). Under the Second Amendment, Hecla had an option to extend the lease to December 31, 2020 by exercising the option no later than October 3, 2018. On October 1, 2018 Hecla exercised the Second Amendment option and extended the lease to December 31, 2020. All of the fixed fees and throughput related charges remain the same as under the original lease. Similar volume limitations apply to any required future tailings expansions, which Hecla will fund, leaving unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility. Pursuant to the Second Amendment, Hecla has the right to terminate the lease during the Extension Period for any reason with 120 days’ notice. Hecla will also have a one-

time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if the Company decides to use the oxide plant for its own purposes before December 31, 2020.

The Company will recognize the \$1.0 million of income from granting the option over the expected life of the lease from August 2, 2017 through December 31, 2020 on a straight-line basis, including such income in “*Other operating income*” in the Condensed Consolidated Statements of Operations. During the nine months ended September 30, 2019 the Company recognized approximately \$0.2 million of amortized income related to the upfront cash payment. As of September 30, 2019, the unamortized portion of the lease option totaled approximately \$0.4 million, recorded as short and long term “*Deferred revenue*” on the Condensed Consolidated Balance Sheets.

For the nine months ended September 30, 2018 the Company recorded revenue of approximately \$5.3 million and related costs of approximately \$1.7 million associated with the lease of the Velardeña Properties oxide plant. During the nine months ended September 30, 2018 the Company also recognized approximately \$0.2 million of amortized income related to the upfront cash payment from Hecla discussed above.

#### 19. Interest and Other Income (Expense), Net

For the nine months ended September 30, 2019 the Company recognized approximately \$0.2 million other expense primarily related to the sale of Golden Tag shares held by the Company (see Note 6). For the nine months ended September 30, 2018 the Company recognized approximately \$0.1 million of other income primarily related to the mark-to-market of Golden Tag shares held by the Company (see Note 6).

#### 20. Supplemental Cash Flow Information

The following table reconciles net loss for the period to cash used in operations:

	<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$ (6,569)	\$ (839)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	814	897
Accretion of asset retirement obligation	167	147
Loss (gain) on trading securities	217	(50)
Asset write off	19	11
Gain on reduction of asset retirement obligation	(63)	—
Gain on sale of assets	(144)	(4,335)
Stock compensation	725	111
Changes in operating assets and liabilities from continuing operations:		
Decrease (increase) in plant lease receivable	21	(167)
Increase in right of use assets	(396)	—
Decrease in prepaid expenses and other assets	244	271
Decrease (increase) in inventories	3	(9)
Decrease in value added tax recoverable, net	2	128
Decrease in reclamation liability	(5)	(17)
Increase in accounts payable and accrued liabilities	135	395
Increase in leasehold liability	427	—
Decrease in deferred revenue	(219)	(219)
Increase in deferred liabilities	1,500	—
Decrease in other liabilities	—	(25)
Net cash used in operating activities	<u>\$ (3,122)</u>	<u>\$ (3,701)</u>

## 21. Commitments and Contingencies

At September 30, 2019 and December 31, 2018, the Company had no gain or loss contingencies. The Company has certain purchase and lease commitments as set forth in the Company's Form 10-K for the year ended December 31, 2018.

## 22. Segment Information

The Company's sole activity is the mining, construction and exploration of mineral properties containing precious metals. The Company's reportable segments are based upon the Company's revenue producing activities and cash consuming activities. The Company reports two segments, one for its Velardeña Properties in Mexico and the other comprised of non-revenue producing activities including exploration, construction and general and administrative activities. Intercompany revenue and expense amounts have been eliminated within each segment in order to report on the basis that management uses internally for evaluating segment performance.

The financial information relating to the Company's segments is as follows:

Three Months Ended September 30, 2019	Revenue	Costs Applicable to Sales	Depreciation, Depletion and Amortization	Exploration, El Quevar, Velardeña and Administrative Expense	Pre-Tax (gain) loss	Total Assets	Capital Expenditures
Velardeña Properties	\$ 1,944	\$ 594	\$ 195	\$ 686	\$ (276)		\$ —
Corporate, Exploration and Other	—	—	75	1,995	2,027		1
	<u>\$ 1,944</u>	<u>\$ 594</u>	<u>\$ 270</u>	<u>\$ 2,681</u>	<u>\$ 1,751</u>		<u>\$ 1</u>
<b>Nine Months Ended</b>							
<b>September 30, 2019</b>							
Velardeña Properties	\$ 5,852	\$ 1,804	\$ 587	\$ 1,962	\$ (959)	\$ 4,502	\$ 1
Corporate, Exploration and Other	—	—	227	6,916	7,519	6,731	27
	<u>\$ 5,852</u>	<u>\$ 1,804</u>	<u>\$ 814</u>	<u>\$ 8,878</u>	<u>\$ 6,560</u>	<u>\$ 11,233</u>	<u>\$ 28</u>
<b>Three Months Ended</b>							
<b>September 30, 2018</b>							
Velardeña Properties	\$ 1,900	\$ 657	\$ 243	\$ 561	\$ (312)		\$ 3
Corporate, Exploration and Other	—	—	94	1,981	(1,274)		—
	<u>\$ 1,900</u>	<u>\$ 657</u>	<u>\$ 337</u>	<u>\$ 2,542</u>	<u>\$ (1,586)</u>		<u>\$ 3</u>
<b>Nine Months Ended</b>							
<b>September 30, 2018</b>							
Velardeña Properties	\$ 5,267	\$ 1,685	\$ 616	\$ 1,754	\$ (1,038)	\$ 6,084	\$ 31
Corporate, Exploration and Other	—	—	281	6,145	1,873	8,145	30
	<u>\$ 5,267</u>	<u>\$ 1,685</u>	<u>\$ 897</u>	<u>\$ 7,899</u>	<u>\$ 835</u>	<u>\$ 14,229</u>	<u>\$ 61</u>

## 23. Related Party Transactions

The following sets forth information regarding transactions between the Company (and its subsidiaries) and its officers, directors and significant stockholders.

### *Administrative Services:*

Beginning in August 2016, the Company began providing limited accounting and other administrative services to Minera Indé, an indirect subsidiary of Sentient. At September 30, 2019, Sentient, through the Sentient executive funds, holds approximately 39% of the Company's 106.7 million shares of issued and outstanding common stock. The services are provided locally in Mexico by the administrative staff in the Company's Mexico office. The Company charges Minera Indé \$15,000 per month for the services, which provides reimbursement to the Company for its costs incurred plus a small profit margin. Amounts received under the arrangement reduce costs incurred for exploration. The Company's Board of Directors and Audit Committee approved the agreement. For the nine months ended September 30, 2019 and 2018 the Company charged Minera Indé approximately \$135,000 for services, offsetting costs that are recorded in "Exploration expense" in the Condensed Consolidated Statements of Operations.

**24. Subsequent Events**

On October 16, 2019, the Company entered into an option to purchase agreement for the sale of the Company's option to earn a 100% interest in the Santa Maria and Las Marias exploration properties to Magellan Gold Corporation. The agreement provides for a period of up to 150 days for Magellan to complete due diligence and secure financing of not less than \$2.0 million. Under the terms of the agreement, if Magellan exercises its option, Magellan will make a cash payment of \$1.0 million to Golden Minerals upon closing. Golden Minerals will retain a 6.5% NSR royalty from all production at Santa Maria until a total of \$3.0 million has been paid to the Company. Thereafter, Golden will retain a 3.0% NSR royalty for the balance of the mine's life. The Company had previously expensed all costs associated with the two properties and will record income from the agreement as cash is received.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Our Company

We were incorporated in Delaware in March 2009 under the Delaware General Corporation Law. During the nine months ended September 30, 2019, our principal source of revenue was from the lease of our oxide plant located near Velardeña, Durango, Mexico. We incurred net operating losses for the nine months ended September 30, 2019 and 2018.

We remain focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our Velardeña Properties. We are also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico. We are also focused on evaluation activities at our El Quevar exploration property in Argentina, and are continuing our exploration efforts on selected properties in our portfolio of approximately 12 exploration properties located primarily in Mexico

This discussion should be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 28, 2019.

### 2019 Highlights

#### *Sale of Santa Maria*

On October 16, 2019, we entered into an option agreement for the sale of our right to acquire a 100% interest in the Santa Maria and Las Marias exploration properties to Magellan Gold Corporation ("Magellan"). The agreement provides for a period of up to 150 days during which Magellan will complete its due diligence review and secure financing of not less than \$2.0 million. Prior to the end of such period, Magellan will have the right to exercise its option to acquire our interests in the project. If Magellan exercises its option, it will make a cash payment of \$1.0 million to us upon closing. We will retain a 6.5% net smelter return ("NSR") royalty from all production at Santa Maria until a total of \$3.0 million has been paid to us. Thereafter, we will retain a 3.0% NSR royalty for the balance of the mine's life. If Magellan fails to achieve commercial production from the project within one year following closing, we will not be obligated to convey our interests in the project to Magellan and we will retain our interest in the project with no obligation to return any payments to Magellan.

In September 2018, an updated preliminary economic assessment ("PEA") was completed for the Santa Maria project that incorporates information from a 22-hole, 4,800-meter drilling program begun in August 2017 and completed in April 2018. Including the latest drill program, we have drilled 9,900 meters in 59 holes since acquiring the property. Since 2015, we have completed test mining and processing of 7,100 dry tonnes from the Santa Maria mine west of Hildalgo de Parral, Chihuahua, with average grades 338 grams per tonne ("g/t") silver (Ag) and 0.8 g/t gold ("Au").

We have the right to acquire 100% of the Santa Maria property under two separate option agreements representing the total concessions that comprise the property for additional payments of \$0.8 million, payable through April 2022. Under the terms of the option agreement, Magellan will assume responsibility for making the additional payments.

#### *Termination of the Agreement to sell the Velardeña Properties and other Assets to Autlán*

On June 26, 2019, we entered into a Purchase and Sale Agreement (the "Agreement") along with our indirectly wholly-owned subsidiary, Minera de Cordilleras S. de R.L. de C.V., to sell certain assets to Compañía Minera Autlán S.A.B. de C.V. ("Autlán") for US\$22.0 million. Upon execution of the Agreement, Autlán paid us a deposit of US\$1.5 million. Under the terms of the Agreement, Autlán had agreed to purchase three of our Mexican subsidiaries, which together hold the Velardeña properties, including the Velardeña and Chicago mines (which are currently on care and maintenance), two processing plants, mining equipment and other adjacent exploration properties. The sale would have also included the Velardeña oxide plant lease as well as the Rodeo and Santa Maria project concessions. The Agreement provided for a period of up to 75 days for Autlán to conduct due diligence related to the three subsidiary companies, the Rodeo concessions and the Santa Maria concessions. Under the Agreement, Autlán had the right to terminate the Agreement at any time during the due diligence period. On September 11, 2019, we announced that Autlán exercised its right to terminate the Agreement. As a result of the termination of the Agreement, we are required to repay the \$1.5

million deposit amount, plus interest at 3% per annum, within 90 days following termination (on or before December 8, 2019) (the “Due Date”). If we do not pay such amount prior to the Due Date, then we must convey the Rodeo concessions to Autlán in full settlement of the deposit. If the Rodeo concessions cannot be conveyed for any reason (as determined by Autlán in its reasonable discretion), we will be required to repay the deposit by making dedicated monthly payments equal to approximately 60 percent of the anticipated cash flow from the lease of the Velardeña oxide plant until the deposit amount is repaid with interest at approximately 11% per annum.

#### *El Quevar*

In September 2019 we released final results from the 2019 drilling program conducted at our El Quevar silver property located in Salta Province, Argentina. The drilling program totaled 3004 meters in 19 holes at a cost of approximately \$0.6 million. A new shallow high-grade silver zone was partially outlined in the Vince area about 2 kilometers south west of the known Yaxtche deposit. Four drill holes cut silver intercepts with grades of 500 to 600 g/t Ag over widths of 1 to 4 meters. These results extend a historical drill intercept by about 200 meters northeast along strike. The zone is open to the north. Other significant results of the program include a 2.1 meter interval grading 340 g/t Ag, in Yaxtche East. This hole represents an approximate 50 meters step out from previous drilling and demonstrates the potential to add to the mineral resources in the northeast sector of the Yaxtché deposit. Drilling at the Argentina prospect located approximately one kilometer east of Yaxtché has also returned silver values in one drill hole with 2 meters of 358 g/t Ag. These results coincide with previous drilling in the area (8 meters of 779 g/t Ag) and are considered encouraging for the area to host mineralization of potential economic significance.

In September 2018, we completed a PEA prepared pursuant to Canadian National Instrument 43-101 that used a February 2018 revised estimate of mineralized material for the Yaxtché deposit as a basis. The results of the PEA are summarized in our annual report for the year ended December 31, 2018, filed on Form 10-K.

We are continuing surface exploration in the district to identify further drill targets in the 57,000-hectare property area. Our property holdings contain two district-scale high sulfidation epithermal systems with potential to host additional precious metals deposits. We plan to continue to advance El Quevar as much as possible within the limits of our current exploration budget and remain open to finding a partner to contribute to the funding of further exploration and development.

#### *Velardeña Oxide Plant Lease Agreement*

During the nine months ended September 30, 2019, Hecla processed approximately 123,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$5.8 million, comprised of approximately \$4.0 million for direct plant charges and fixed fees and approximately \$1.8 million for other net reimbursable costs related to the services we provide under the lease. Hecla is responsible for the ongoing operation and maintenance of the oxide plant. The \$1.8 million of reimbursable costs are also reported as plant lease costs, resulting in net operating margin of approximately \$4.0 million for the nine months ended September 30, 2019.

On October 1, 2018, a wholly-owned subsidiary of Hecla Mining Company (together “Hecla”) exercised its option, pursuant to an agreement entered into with us in August 2017, to extend the lease of our Velardeña oxide plant until December 31, 2020. Hecla has the right to terminate the lease for any reason with 120 days’ notice. Hecla will also have a one-time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if we decide to use the oxide plant for our own purposes before December 31, 2020.

We expect Hecla to continue to process material near or above the intended approximately 400 tonnes per day rate during 2019, which generates a net operating margin to us, net of reimbursable costs, of approximately \$1.3 million per quarter. However, because Hecla has the right to terminate the lease with 120 days’ notice, there is no assurance that these amounts will continue through 2020.

#### *Velardeña PEA update*

The Velardeña Properties contain two underground mines that were last operated in late 2015, at which point mining activities were suspended when a combination of low metals prices and dilution and metallurgical challenges rendered operations unprofitable. We elected to preserve the asset for future use, and since that time we have evaluated and tested various mining methods and processing alternatives that could enable sustainable profitable operations.

The recent rise in precious metals prices, the advancement of alternative processing technologies in the industry, and the results of our testing activities have prompted us to engage the engineering firm Tetra Tech to complete an updated PEA for the Velardeña Properties, prepared pursuant to Canadian National Instrument 43-101. The updated PEA will incorporate refinements to the resource model as well as a bio-oxidation processing methodology designed to enhance the recovery of gold from pyrite and arsenopyrite that is common in the veins at both the Velardeña and Chicago mines. Previous test work has shown bio-oxidation and subsequent cyanide leaching of the pyrite concentrates from the Santa Juana mine area to achieve gold recoveries over 90%. Testing is in progress to confirm the previous study results using a newly prepared pyrite-arsenopyrite concentrate from current levels of the Santa Juana mine workings. We expect the PEA to be completed during the first quarter 2020

#### *Rodeo*

Rodeo, a 1,900-hectare gold project located about 80 kilometers west of Velardeña, contains approximately 46,000 ounces of gold with an average grade of 3.3 g/t, as referenced in a mineral resource estimate prepared in accordance with Canadian National Instrument 43-101 by Tetra Tech dated January 26, 2017. Rodeo represents a source of mineralized material that may be processed at Velardeña's oxide mill once our lease of that mill to Hecla Mining Co. concludes. Hecla currently has the right to use the mill through December 2020.

We plan to initiate a small drilling program at Rodeo to provide greater resource definition for a mine plan and to provide samples for additional metallurgical testing. We have begun the process of obtaining the required mining and environmental permits for an open pit mining operation, a process that could take up to one year. Complementary to the permitting process, we have initiated a PEA study to document the possible economic results of the planned operation. The resulting report, which will be prepared using 43-101 guidelines, is planned to be published in early 2020.

#### *Yoquivo*

The Yoquivo property was acquired in 2017 and with the recent additional acquisition of a claim internal to the exterior boundary the project consists of 1,975 hectares in 7 claims that cover an epithermal vein district hosted in Tertiary andesitic volcanic rocks that is exposed in an erosional window through Oligocene rhyolite on the eastern margin of the Sierra Madre Occidental of northern Mexico. The property is 200 km SW of Chihuahua city in the state of Chihuahua, Mexico. Recent surface rock sampling has demonstrated gold and silver values of potential economic interest in several of the veins in the district. We have an option to purchase the six concessions that comprise the Yoquivo property for payments totaling \$0.75 million over four years subject to a 2% to 3% NSR royalty on production, capped at \$2.8 million.

In October 2018 we announced high-grade silver-gold assays from the Yoquivo project. Multiple silver-gold bearing epithermal veins were mapped and sampled, with the two most important veins being the San Francisco and Pertenencia veins. A new vein, the La Nina vein, was discovered in the northwest of the property where it splits off from the main San Francisco vein. Two other veins, the Esperanza and El Dolar veins have been identified and sampled. Based on sampling and mapping we have identified the most attractive targets on the property and have permits in hand to initiate the drill program. Subject to the availability of capital, we intend to begin a drill program in the first quarter of 2020 to test the most promising portions of the veins.

#### *Sand Canyon*

During the second quarter 2019 we entered into an earn-in agreement with Golden Gryphon Explorations for the Sand Canyon project located in northwestern Nevada, where surface work has identified a large system of epithermal veins with potential for gold and silver deposits. We hold an option to earn a 60% interest in the Sand Canyon project by spending \$2.5 million in exploration expenses over four years, with guaranteed minimum expenditures of \$0.5 million in year one. To continue to earn interest in the project, we must spend at least \$0.75 million in each of years two and three and \$0.5 million in year four, and drill at least 5,000 feet of core or 10,000 feet of reverse circulation or a combination of the two, by the end of the second year. We paid \$25,000 cash and \$50,000 in reimbursed exploration expenditures to acquire the option and will make staged payments of a total additional \$135,000 (\$35,000 in 2020, \$50,000 in 2021 and \$50,000 in 2022) over the next three anniversaries of the agreement.

We have completed surface exploration activities on the project including mapping and geochemical sampling to identify drill targets. Based on this work the process to obtain drill permits has been initiated and, subject to the availability of capital we expect to be able to begin drilling by the first quarter 2020 or early.

*Registered direct purchase agreement and commitment purchase agreement*

On May 9, 2018 we entered into a registered direct purchase agreement (the “Registered Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“LPC”) pursuant to which LPC purchased 3,153,808 shares of our common stock at a price of \$0.4122 per share, the closing price of our common stock on the NYSE American on May 8, 2018, for an aggregate purchase price of \$1.3 million. On the same day, we also entered into a commitment purchase agreement (the “Commitment Purchase Agreement” and together with the Registered Purchase Agreement, the “LPC Program”) pursuant to which we have the right for a period of three years, at our sole discretion, to sell up to an additional \$10.0 million of our common stock to LPC, subject to certain limitations and conditions contained in the Commitment Purchase Agreement.

Subject to the terms of the Commitment Purchase Agreement, we will control the timing and amount of any future sale of common stock to LPC. LPC has no right to require any sales by us under the Commitment Purchase Agreement but is obligated to make purchases at our sole direction, as governed by such agreement. There are no upper limits to the price LPC may be obligated to pay to purchase common stock from us and the purchase price of the shares will be based on the prevailing market prices of our shares at the time of each sale to LPC. LPC has agreed not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of our shares of common stock. We have the right to terminate the Commitment Purchase Agreement at any time, at our discretion, without any cost or penalty.

During the nine months ended September 30, 2019 we sold 2,113,642 shares of common stock to LPC under the LPC Program at an average sales price per share of approximately \$0.28, resulting in net proceeds of approximately \$590,000.

*Offering and private placement transaction*

On July 17, 2019, we entered into an agreement with certain institutional investors providing for the issuance and sale of 8,653,846 shares of our common stock at a price of \$0.26 per share, and in a concurrent private placement transaction, the issuance of 8,653,846 Series A warrants to purchase up to 8,653,846 shares of our common stock at an exercise price of \$0.35 per share, for aggregate gross proceeds of \$2.25 million (the “Offering”). Each of the investors in the Offering held warrants that were issued by us in May 2016 and were exercisable until November 2021 at an exercise price of \$0.75 per share. In connection with the Offering, we also agreed to exchange, on a one-for-one basis, the May 2016 warrants for Series B warrants to purchase 4,500,000 shares of common stock at an exercise price of \$0.35 per share. Each Series A warrant is exercisable six months from the date of issuance and has a term expiring five years after such initial exercise date. Each Series B warrant is exercisable six months from the date of issuance, has a term expiring in May 2022, but is otherwise subject to the same terms and conditions as the Series A warrants. Total costs for the Offering were approximately \$0.3 million, including the placement agent fee of six percent of the aggregate gross proceeds.

As a result of anti-dilution provisions in our outstanding 2014 warrants, the closing of the Offering resulted in adjustments that reduced the exercise price and increased the number of shares issuable under 2014 warrants. Pursuant to the anti-dilution provisions in the 2014 warrants, the number of shares of common stock issuable upon exercise of the 2014 warrants was increased from 5,551,344 shares to 5,686,365 shares (135,021 share increase), and the 2014 warrants’ exercise price was decreased from \$0.84 per share to approximately \$0.80 per share. The 5,686,365 warrants expired on September 10, 2019, five years from the original date of issuance.

**Financial Results of Operations**

For the results of continuing operations discussed below, we compare the results from operations for the three and nine months ended September 30, 2019 to the results from operations for the three and nine months ended September 30, 2018.

**Three Months Ended September 30, 2019**

*Revenue from oxide plant lease.* We recorded revenue of \$1.9 million during both three month periods ended September 30, 2019 and 2018, related to the lease of our Velardeña oxide plant to a third party.

*Oxide plant lease costs.* We recorded \$0.6 million and \$0.7 million of costs related to the oxide plant lease during the three-month periods ended September 30, 2019 and 2018, respectively. The costs consist primarily of reimbursable labor and utility costs which for accounting purposes are also included in revenue from the oxide plant lease.

*Exploration expense.* Our exploration expense, including work at the Yoquivo, Santa Maria and other properties, property holding costs and allocated administrative expenses, totaled \$0.9 million and \$1.1 million for the three months ended September 30, 2019 and September 30, 2018, respectively. Exploration expense for both years was incurred primarily in Mexico.

*Velardeña shutdown and care and maintenance costs.* We recorded \$0.4 million for each of the three months ended September 30, 2019 and September 30, 2018, for expenses related to shut down and care and maintenance at our Velardeña Properties as the result of the suspension of mining and processing activities in November 2015.

*El Quevar project expense.* For the three months ended September 30, 2019 we incurred \$0.6 million related to holding and evaluation costs for the Yaxtché deposit at our El Quevar project in Argentina. For the three months ended September 30, 2018 we incurred \$0.4 million in expenditures. The 2019 costs are greater due to increased drilling and evaluation costs incurred in 2019.

*Administrative expense.* Administrative expenses totaled \$0.7 million for each of the three months ended September 30, 2019 and September 30, 2018. Administrative expenses, including costs associated with being a public company, are incurred primarily by our corporate activities in support of the Velardeña Properties, El Quevar project and our exploration portfolio. The \$0.7 million of administrative expenses we incurred during the three months of 2019 is comprised of \$0.3 million of employee compensation and directors' fees, \$0.3 million of professional fees and \$0.1 million of insurance, rents, travel expenses, utilities and other office costs. The \$0.7 million of administrative expenses we incurred during the three months of 2018 is comprised of \$0.3 million of employee compensation and directors' fees, \$0.2 million of professional fees and \$0.2 million of insurance, rents, travel expenses, utilities and other office costs.

*Stock based compensation.* During each of the three months ended September 30, 2019 we incurred \$0.1 million of expense related to stock-based compensation. During the three months ended September 30, 2018 we recorded a reduction to stock-based compensation of \$0.1 million related to the mark-to-market of KELTIP shares. Stock based compensation varies from period to period depending on the number and timing of shares granted, the type of grant, the market value of the shares on the date of grant and other variables.

*Reclamation and accretion expense.* During each of the three months ended September 30, 2019 and 2018 we incurred approximately \$57,000 and \$53,000 of reclamation expense, respectively, related to the accretion of an asset retirement obligation at the Velardeña Properties.

*Other operating income, net.* We recorded \$0.1 million of other operating income for the three months ended September 30, 2019, related primarily to the sale of property in Peru. We recorded \$3.2 million of other operating income for the three months ended September 30, 2018, with \$3.0 million related to the sale of the Celaya property and \$0.2 million related to the farm out of the Zacatecas property to Santacruz.

*Depreciation, depletion and amortization.* During each of the three-month periods ended September 30, 2019 and September 30, 2018 we incurred depreciation, depletion and amortization expense of approximately \$0.3 million.

*Interest and other expense, net.* We recorded approximately \$0.1 million of interest and other expense, net for the three months ended September 30, 2019 primarily related to the sale of common shares we owned in a junior mining company. We recorded \$0.1 million of interest and other expense, net for the three months ended September 30, 2018, primarily related to the mark-to-market of certain common stock we owned in a junior mining company.

*Gain (Loss) on foreign currency.* We recorded a nominal foreign currency loss for the three months ended September 30, 2019 and a nominal foreign currency gain for the three months ended September 30, 2018. Foreign currency gains and losses are primarily related to the effect of currency fluctuations on monetary assets net of liabilities held by our foreign subsidiaries that are denominated in currencies other than US dollars.

*Income taxes.* We recorded a nil amount income tax expense for each of the three months ended September 30, 2019 and September 30, 2018.

## **Nine Months Ended September 30, 2019**

*Revenue from oxide plant lease.* We recorded revenue of \$5.9 million and \$5.3 million during the nine months ended September 30, 2019 and 2018, respectively, related to the lease of our Velardeña oxide plant to Hecla.

*Oxide plant lease costs.* We recorded \$1.8 million and \$1.7 million of costs related to the oxide plant lease during the nine-month periods ended September 30, 2019 and 2018, respectively. The costs consist primarily of reimbursable labor and utility costs which for accounting purposes are also included in revenue from the oxide plant lease.

*Exploration expense.* Our exploration expense, including work at the Yoquivo, Santa Maria and other properties, property holding costs and allocated administrative expenses, totaled \$3.1 million and \$3.0 million for the nine months ended September 30, 2019 and September 30, 2018, respectively. Exploration expense for both years was incurred primarily in Mexico. The increase for the period ended September 30, 2019 is due to increased expenditures at the Nevada Sand Canyon project, which was acquired in 2019.

*El Quevar project expense.* For the nine months ended September 30, 2019 we incurred \$1.6 million related to holding and evaluation costs for the Yaxtché deposit at our El Quevar project in Argentina. For the nine months ended September 30, 2018 we incurred \$0.9 million in expenditures. The 2019 costs are greater due to drilling costs related to the new drilling program which began in March 2019.

*Velardeña shutdown and care and maintenance costs.* We recorded \$1.4 million for each of the nine months ended September 30, 2019 and 2018, for expenses related to shut down and care and maintenance at our Velardeña Properties as the result of the suspension of mining and processing activities in November 2015.

*Administrative expense.* Administrative expenses totaled \$2.8 million and \$2.6 million for the nine months ended September 30, 2019 and September 30, 2018, respectively. Administrative expenses, including costs associated with being a public company, are incurred primarily by our corporate activities in support of the Velardeña Properties, El Quevar project and our exploration portfolio. The \$2.8 million of administrative expenses we incurred during the nine months of 2019 is comprised of \$1.1 million of employee compensation and directors' fees, \$1.0 million of professional fees and \$0.7 million of insurance, rents, travel expenses, utilities and other office costs. The \$2.6 million of administrative expenses we incurred during the first nine months of 2018 is comprised of \$1.1 million of employee compensation and directors' fees, \$0.7 million of professional fees and \$0.8 million of insurance, rents, travel expenses, utilities and other office costs.

*Stock based compensation.* During the nine months ended September 30, 2019 and 2018 we incurred \$0.7 million and \$0.1 million, respectively, of expense related to stock-based compensation. Stock based compensation varies from period to period depending on the number and timing of shares granted, the type of grant, the market value of the shares on the date of grant and other variables.

*Reclamation and accretion expense.* During each of the nine-month periods ended September 30, 2019 and 2018 we incurred approximately \$0.2 million of reclamation expense related to the accretion of an asset retirement obligation at the Velardeña Properties.

*Other operating income, net.* We recorded \$0.2 million of other operating income for the nine months ended September 30, 2019, related primarily to the sale of surplus equipment in Argentina and property in Peru. We recorded \$4.6 million of other operating income for the nine months ended September 30, 2018, consisting of \$4.0 million related to an option payment and the ultimate sale of our Celaya property, \$0.5 million from payments received on our Zacatecas Properties and \$0.1 related to utilization of VAT credits in Mexico.

*Depreciation, depletion and amortization.* During the nine months ended September 30, 2019 and 2018 we incurred depreciation, depletion and amortization expense of \$0.8 million and \$0.9 million, respectively.

*Interest and other expense (income), net.* We recorded \$0.2 million of interest and other expense, net for the nine months ended September 30, 2019 primarily related to the sale of common stock we owned in a junior mining company. We recorded \$0.1 million of interest and other income for the nine months ended September 30, 2018, primarily related to the mark-to-market of the common stock we owned in a junior mining company.

*Gain (Loss) on foreign currency.* We recorded a \$55,000 foreign currency loss for the nine months ended September 30, 2019. We recorded an approximate \$50,000 foreign currency loss for the nine months ended September 30, 2018. The loss for both periods was primarily related to the devaluation of the Argentine peso. Foreign currency gains and losses are primarily related to the effect of currency fluctuations on monetary assets net of liabilities held by our foreign subsidiaries that are denominated in currencies other than US dollars.

*Income taxes.* We recorded a nil amount income tax expense for each of the nine months ended September 30, 2019 and September 30, 2018.

### **Liquidity, Capital Resources and Going Concern**

At September 30, 2019, our aggregate cash and cash equivalents totaled \$2.9 million, compared to the \$3.3 million in similar assets held at December 31, 2018. The September 30, 2019 balance is due in part from the following expenditures and cash inflows for the nine months ended September 30, 2019. Expenditures totaled \$8.8 million from the following:

- \$3.1 million in exploration expenditures, including work at the Yoquivo, Sand Canyon, Santa Maria and other properties;
- \$1.3 million in care and maintenance costs at the Velardeña Properties;
- \$1.6 million in exploration and evaluation activities, care and maintenance and property holding costs at the El Quevar project; and
- \$2.8 million in general and administrative expenses.

The foregoing expenditures were offset by cash inflows of \$8.4 million from the following:

- \$4.0 million of net operating margin received pursuant to the oxide plant lease (defined as oxide plant lease revenue less oxide plant lease costs);
- \$1.9 million of net proceeds from the sale of our common stock in a registered direct offering (as described in Note 17);
- \$1.5 million received as a deposit related to the proposed sale of the Velardeña Properties and other mineral concessions to Autlán (as described in Notes 1 and 13);
- \$0.6 million, net of commitment fees and other offering related costs, from the LPC Program (as described in Note 17);
- \$0.1 million from the sale of miscellaneous assets and \$0.1 million from the sale of an investment in a junior mining company (Note 6); and
- \$0.2 million from a decrease in working capital primarily related to increased accounts payables for general and administrative expenses.

In addition to the \$2.9 million cash balance at September 30, 2019, in October 2019 we entered into an option to purchase agreement for the sale of our interest in the Santa Maria property and expect to receive an initial cash payment of \$1.0 million in connection with the transaction by the end of the first quarter 2020 (Note 24). We also expect to receive an additional approximately \$4.8 million in net operating margin from the lease of the oxide plant through the end of the third quarter 2020. Our budgeted expenditures, totaling \$9.8 million, during the next twelve months ending September 30, 2020 are as follows:

- Approximately \$2.5 million on exploration activities and property holding costs related to our portfolio of exploration properties located in Mexico, Nevada and Argentina, including project assessment and evaluation costs relating to Yoquivo, Sand Canyon and other properties;

- Approximately \$1.6 million at the Velardeña Properties for care and maintenance;
- Approximately \$1.5 million for repayment of the Autlán deposit according to the terms of the Agreement (as described in Note 1);
- Approximately \$0.8 million at the El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs;
- Approximately \$3.1 million on general and administrative costs; and
- Approximately \$0.3 million for income tax payments due in Canada.

Our currently budgeted expenditures of \$9.8 million are slightly greater than the cash resources of \$8.7 million that are expected to be available during the period. Therefore, during the remainder of 2019 and through September 30, 2020, we will take appropriate actions, which may include sales of certain of our exploration assets, reductions to our currently budgeted level of spending, and/or raising additional equity capital through sales under the ATM Program (as defined in Note 17 below), the LPC Program or otherwise.

The actual amount of cash expenditures that we incur during the twelve-month period ending September 30, 2020 may vary significantly from the amounts specified above and will depend on a number of factors, including variations from anticipated care and maintenance costs at the Velardeña Properties and costs for continued exploration, project assessment, and development at our other exploration properties, including El Quevar. Likewise, the actual amount of cash receipts that we receive during the period may vary significantly from the amounts specified above due to, among other things, a decrease in the quantity of material processed under the oxide plant lease, an unexpected early termination of the oxide plant lease by the lessee, or the election by the purchaser of the Santa Maria property to terminate the proposed acquisition prior to payment of the initial \$1.0 million portion of the purchase price. If cash expenditures are greater than anticipated or if cash receipts are less than anticipated, we would need to take more aggressive actions to maintain sufficient cash balances over the next twelve months.

The consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the normal course of business. However, our continuing long-term operations are dependent upon its ability to secure sufficient funding and to generate future profitable operations. The underlying value and recoverability of the amounts shown as property, plant and equipment in our consolidated financial statements are dependent on its ability to generate positive cash flows from operations and to continue to fund exploration and development activities that would lead to profitable mining activities or to generate proceeds from the disposition of property, plant and equipment.

There can be no assurance that we will be successful in generating future profitable operations or securing additional funding in the future on terms acceptable to us or at all. We believe the continuing cash flow from the lease of the oxide plant, use of the ATM Program and the LPC Program, and the potential for additional asset dispositions make it probable that we will have sufficient cash to meet our financial obligations and continue our business strategy beyond one year from the filing of our consolidated financial statements for the period ended September 30, 2019.

### **Recent Accounting Pronouncements**

During the first quarter 2019 we adopted ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”) and ASU No. 2018-11 “Leases (Topic 842)” (“ASU 2018-11”), which will require lessees to recognize a right-of-use asset and a lease liability for all leases with terms greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For a lessor, the accounting applied is largely unchanged from previous guidance. We currently lease administrative offices in the U.S. and in several foreign locations under lease agreements that typically exceed one year.

During the first quarter 2018 we adopted ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”) which was issued by the Financial Accounting Standards Board (“FASB”) in May 2014. We also adopted ASU No. 2017-05, “Other Income (Subtopic 310-20)” (“ASU 2017-05”), which was issued by the FASB in February 2017 clarifying the scope of Subtopic 610-20, which was originally issued as part of ASU 2014-09. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with

customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized and the related cash flows. We elected the modified retrospective method of initially adopting ASU 2014-09.

During the first quarter 2018 we adopted ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”), which amended our accounting treatment for the recognition, measurement, presentation and disclosure of certain financial assets. ASU 2016-01 requires equity investments that have a readily determinable fair value to be measured at fair value through net income. Previously, entities would recognize changes in fair value of available-for-sale equity securities in other comprehensive income, and would recognize in net income impairment losses that were other-than-temporary. There will no longer be an available-for-sale classification (with changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. We recognized retrospectively the cumulative effect of initially adopting ASU 2016-01.

### **Forward-Looking Statements**

Some information contained in or incorporated by reference into this Quarterly Report on Form 10-Q may contain forward-looking statements. These statements include comments relating to our plans, expectations and assumptions concerning the Velardeña oxide plant lease, including the expected term, anticipated revenues, and potential future tailings expansion; the El Quevar project, including assumptions and projections contained in the El Quevar PEA, the timing of results from the current drilling program and our plans regarding further advancement of the project; the Santa Maria property, including the assumptions and projections contained in the updated Santa Maria, and other expectations regarding the project; the Yoquivo project, including future drilling plans and exploration activities; anticipated income from the use of our ATM Program and LPC Program; our financial outlook for the remainder of 2019 and the first nine months of 2020, including anticipated income and expenditures; expected need for external financing and statements concerning our financial condition, business strategies and business and legal risks.

The use of any of the words “anticipate,” “continues,” “likely,” “estimate,” “expect,” “may,” “will,” “project,” “should,” “could,” “believe” and similar expressions are intended to identify uncertainties. We believe the expectations reflected in those forward-looking statements are reasonable. However, we cannot assure that these expectations will prove to be correct. Actual results could differ materially from those anticipated in these forward-looking statements as a result of the factors set forth below and other factors set forth in, or incorporated by reference into this report:

- Lower revenue than anticipated from the oxide lease, which could result from delays or problems at the third party’s mine or at the oxide plant, permitting problems at the third party’s mine or the oxide plant, delays in constructing additional tailings capacity at the oxide plant, earlier than expected termination of the lease or other causes;
- Higher than anticipated care and maintenance costs at the Velardeña Properties in Mexico or at El Quevar in Argentina;
- The election by the purchaser of our Santa Maria property to terminate the purchase agreement without payment of the initial cash payment of \$1.0 million;
- Continued decreases or insufficient increases in silver and gold prices;
- Whether we are able to raise the necessary capital required to continue our business on terms acceptable to us or at all, and the likely negative effect of continued low silver and gold prices or unfavorable exploration results;
- Unfavorable results from exploration at the Santa Maria, Rodeo, Yoquivo, Navegantes, Sand Canyon or other exploration properties and whether we will be able to advance these or other exploration properties;
- Risks related to the El Quevar project in Argentina, including unfavorable results from our evaluation activities, the feasibility and economic viability and unexpected costs of maintaining the project, and whether we will be able to find a joint venture partner or secure adequate financing to further advance the project;
- Variations in the nature, quality and quantity of any mineral deposits that are or may be located at the Velardeña Properties or our exploration properties, changes in interpretations of geological information, and unfavorable results of metallurgical and other tests;

- Whether we will be able to mine and sell minerals successfully or profitably at any of our current properties at current or future silver and gold prices and achieve our objective of becoming a mid-tier mining company;
- Potential delays in our exploration activities or other activities to advance properties towards mining resulting from environmental consents or permitting delays or problems, accidents, problems with contractors, disputes under agreements related to exploration properties, unanticipated costs and other unexpected events;
- Our ability to retain key management and mining personnel necessary to successfully operate and grow our business;
- Economic and political events affecting the market prices for gold, silver, zinc, lead and other minerals that may be found on our exploration properties;
- Political and economic instability in Mexico, Argentina, and other countries in which we conduct our business and future actions of any of these governments with respect to nationalization of natural resources or other changes in mining or taxation policies;
- Volatility in the market price of our common stock; and
- The factors discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 and item 1A of this Report on Form 10-Q.

Many of these factors are beyond our ability to control or predict. You should not unduly rely on these forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect future events or developments.

#### **Cautionary Statement Regarding Mineralized Material**

*"Mineralized material" as used in this Quarterly Report on Form 10-Q, although permissible under the SEC Industry Guide 7, does not indicate "reserves" by SEC standards. We cannot be certain that any deposits at the El Quevar, the Velardeña Properties, the Santa Maria properties or the Rodeo property or any deposits at our other exploration properties, will ever be confirmed or converted into SEC Industry Guide 7 compliant "reserves". Investors are cautioned not to assume that all or any part of the disclosed mineralized material estimates will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted. In addition, in this quarterly report on Form 10-Q we also modify our estimates made in compliance with National Instrument 43-101 to conform to SEC Industry Guide 7 for reporting in the United States. Mineralized material is substantially equivalent to measured and indicated mineral resources (exclusive of reserves) as disclosed for reporting purposes in Canada, except that the SEC only permits issuers to report "mineralized material" in tonnage and average grade without reference to contained ounces.*

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Interest Rate Risk**

We invest substantially all of our excess cash in U.S. government and debt securities rated "investment grade" or better. The rates received on such investments may fluctuate with changes in economic conditions. Based on the average cash and investment balances outstanding during the first three months of 2019, a 1% decrease in interest rates would have resulted in only a nominal reduction in interest income for the period.

#### **Foreign Currency Exchange Risk**

Although most of our expenditures are in U.S. dollars, certain purchases of labor, supplies and capital assets are denominated in other currencies, primarily in Mexico. As a result, currency exchange fluctuations may impact the costs of our exploration and mining activities. To reduce this risk, we maintain minimum cash balances in foreign currencies and complete most of our purchases in U.S. dollars.

#### **Commodity Price Risk**

We are primarily engaged in the exploration and mining of properties containing gold, silver, zinc, lead and other minerals. As a result, decreases in the price of any of these metals have the potential to negatively impact our ability to establish reserves and mine on our properties. We currently hold no commodity derivative positions.

**Item 4. Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2019, (the “Evaluation Date”). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

Due to the adoption of ASU 2016-02 and ASU 2018-11, we have modified our internal control over financial reporting to include procedures to ensure the appropriate accounting treatment for our operating leases. Other than with respect to the accounting for our operating leases, there have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

The risk factors for the nine months ended September 30, 2019 are substantially the same as those set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018 and in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350 \(Section 906 of the Sarbanes-Oxley Act\).\\*\\*](#)
- 101.INS XBRL Instance Document\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*
- 101.CAL XBRL Taxonomy Calculation Linkbase Document\*
- 101.DEF XBRL Taxonomy Definition Document\*
- 101.LAB XBRL Taxonomy Label Linkbase Document\*
- 101.PRE XBRL Taxonomy Presentation Linkbase Document\*

\* Filed herewith

\*\* Furnished herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**GOLDEN MINERALS COMPANY**

Date: November 12, 2019

By: /s/ Warren M. Rehn

Warren M. Rehn

President and Chief Executive Officer

Date: November 12, 2019

By: /s/ Robert P. Vogels

Robert P. Vogels

Senior Vice President and Chief Financial Officer

## CERTIFICATIONS

I, Warren M. Rehn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Golden Minerals Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ Warren M. Rehn  
Warren M. Rehn  
Chief Executive Officer

---

I, Robert P. Vogels, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Golden Minerals Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ Robert P. Vogels  
Robert P. Vogels  
Senior Vice President and Chief Financial Officer

---

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Golden Minerals Company (the "Company") on Form 10-Q for the quarter ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Warren M. Rehn

\_\_\_\_\_  
Warren M. Rehn  
Chief Executive Officer  
November 12, 2019

/s/ Robert P. Vogels

\_\_\_\_\_  
Robert P. Vogels  
Senior Vice President and Chief Financial Officer  
November 12, 2019

---