

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, 2020.

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 650
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 4, 2020, 151,512,652 shares of common stock, \$0.01 par value per share, were issued and outstanding.

GOLDEN MINERALS COMPANY
FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2020

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Item 1. Financial Statements

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

	September 30, 2020	December 31, 2019
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents (Note 5)	\$ 8,658	\$ 4,593
Lease receivables	502	448
Inventories, net (Note 8)	199	231
Derivative at fair value (Note 7)	251	254
Value added tax receivable, net (Note 9)	69	—
Prepaid expenses and other assets (Note 6)	570	669
Total current assets	10,249	6,195
Property, plant and equipment, net (Note 10)	5,343	6,031
Other long term assets (Note 11)	988	1,131
Total assets	\$ 16,580	\$ 13,357
Liabilities and Equity		
Current liabilities		
Accounts payable and other accrued liabilities (Note 12)	\$ 1,304	\$ 2,127
Deferred revenue, current (Note 19)	100	472
Debt - related party (Note 13)	—	—
Other current liabilities (Note 14)	230	1,824
Total current liabilities	1,634	4,423
Asset retirement and reclamation liabilities (Note 15)	3,102	2,839
Other long term liabilities (Note 14)	385	494
Total liabilities	5,121	7,756
Commitments and contingencies (Note 22)		
Equity (Note 18)		
Common stock, \$.01 par value, 200,000,000 shares authorized; 149,012,652 and 106,734,279 shares issued and outstanding respectively	1,490	1,067
Additional paid in capital	533,694	521,314
Accumulated deficit	(523,725)	(516,780)
Shareholders' equity	11,459	5,601
Total liabilities and equity	\$ 16,580	\$ 13,357

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,	
	2020 (in thousands except per share data)	2019	2020 (in thousands, except per share data)	2019
Revenue:				
Oxide plant lease (Note 19)	\$ 2,146	\$ 1,944	\$ 4,566	\$ 5,852
Total revenue	<u>2,146</u>	<u>1,944</u>	<u>4,566</u>	<u>5,852</u>
Costs and expenses:				
Oxide plant lease costs (Note 19)	(582)	(594)	(1,566)	(1,804)
Exploration expense	(1,226)	(935)	(3,681)	(3,119)
El Quevar project expense	(130)	(582)	(623)	(1,584)
Velardeña care and maintenance costs	(206)	(422)	(861)	(1,391)
Administrative expense	(852)	(742)	(2,782)	(2,784)
Stock based compensation	(105)	(72)	(771)	(725)
Reclamation expense	(63)	(57)	(184)	(171)
Other operating (expense) income, net	24	45	(78)	225
Depreciation and amortization	(226)	(270)	(770)	(814)
Total costs and expenses	<u>(3,366)</u>	<u>(3,629)</u>	<u>(11,316)</u>	<u>(12,167)</u>
Loss from operations	(1,220)	(1,685)	(6,750)	(6,315)
Other expense:				
Interest and other expense, net (Note 20)	(12)	(42)	(85)	(182)
Loss on foreign currency	(36)	(24)	(92)	(63)
Total other loss	<u>(48)</u>	<u>(66)</u>	<u>(177)</u>	<u>(245)</u>
Loss from operations before income taxes	(1,268)	(1,751)	(6,927)	(6,560)
Income taxes (Note 17)	(18)	(9)	(18)	(9)
Net loss	<u>\$ (1,286)</u>	<u>\$ (1,760)</u>	<u>\$ (6,945)</u>	<u>\$ (6,569)</u>
Net loss per common share — basic				
Loss	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>	<u>\$ (0.07)</u>
Weighted average Common Stock outstanding - basic (1)	<u>143,285,564</u>	<u>104,764,260</u>	<u>124,956,140</u>	<u>99,263,135</u>

(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)

	Nine Months Ended September 30,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net cash used in operating activities (Note 21)	\$ (7,891)	\$ (3,122)
Cash flows from investing activities:		
Proceeds from sale of assets	25	144
Proceeds from sale of trading securities	—	113
Acquisitions of property, plant and equipment	(101)	(28)
Net cash provided by (used in) investing activities	\$ (76)	\$ 229
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of common stock, net of issuance costs	12,032	2,492
Proceeds from related party loan (Note 13)	1,000	—
Payment of related party loan (note 13)	(1,000)	—
Net cash from financing activities	\$ 12,032	\$ 2,492
Net Increase (decrease) in cash and cash equivalents	4,065	(401)
Cash and cash equivalents, beginning of period	4,593	3,293
Cash and cash equivalents, end of period	<u>\$ 8,658</u>	<u>\$ 2,892</u>

See Note 21 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	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Equity
	(in thousands except share data)				
Balance, December 31, 2018	95,620,796	\$ 955	\$ 517,806	\$ (511,125)	\$ 7,636
Stock compensation accrued (Note 18)	—	—	337	—	337
Modification of previously awarded KELTIP Units (Note 18)	—	—	583	—	583
Shares issued under the at-the-market offering agreement, net (Note 18)	33,995	1	11	—	12
Shares issued under the Lincoln Park commitment purchase agreement, net (Note 18)	1,213,642	12	313	—	325
Net loss	—	—	—	(2,351)	(2,351)
Balance, March 31, 2019	96,868,433	\$ 968	\$ 519,050	\$ (513,476)	\$ 6,542
Stock compensation accrued and shares issued for vested stock awards (Note 18)	312,000	3	89	—	92
Shares issued under the Lincoln Park commitment purchase agreement, net (Note 18)	900,000	9	194	—	203
Net loss	—	—	—	(2,458)	(2,458)
Balance, June 30, 2019	98,080,433	\$ 980	\$ 519,333	\$ (515,934)	\$ 4,379
Stock compensation accrued (Note 18)	—	—	73	—	73
Registered direct offering agreement, net (Note 18)	8,653,846	87	1,860	—	1,947
Deemed dividend on warrants (Note 5)	—	—	2	(2)	—
Net loss	—	—	—	(1,760)	(1,760)
Balance, September 30, 2019	106,734,279	\$ 1,067	\$ 521,268	\$ (517,696)	\$ 4,639
Adjustment related to correction of immaterial error (Note 2)	—	—	—	(267)	(267)
Adjusted Balance, September 30, 2019	106,734,279	\$ 1,067	\$ 521,268	\$ (517,963)	\$ 4,372
Balance, December 31, 2019	106,734,279	\$ 1,067	\$ 521,314	\$ (516,780)	\$ 5,601
Stock compensation accrued (Note 18)	—	—	52	—	52
Shares issued under the at-the-market offering agreement, net (Note 18)	823,452	9	214	—	223
Shares issued under the Lincoln Park commitment purchase agreement, net (Note 18)	900,000	9	207	—	216
Net loss	—	—	—	(3,336)	(3,336)
Balance, March 31, 2020	108,457,731	\$ 1,085	\$ 521,787	\$ (520,116)	\$ 2,756
Stock compensation accrued (Note 18)	—	—	614	—	614
Subscription agreement (Note 18)	4,719,207	47	882	—	929
Offering and private placement agreement (Note 18)	15,000,000	150	2,561	—	2,711
Net loss	—	—	—	(2,323)	(2,323)
Balance, June 30, 2020	128,176,938	\$ 1,282	\$ 525,844	\$ (522,439)	\$ 4,687
Stock compensation accrued and shares issued for vested stock awards (Note 18)	300,000	3	102	—	105
Public offering (Note 18)	20,535,714	205	7,748	—	7,953
Net loss	—	—	—	(1,286)	(1,286)
Balance, September 30, 2020	149,012,652	\$ 1,490	\$ 533,694	\$ (523,725)	\$ 11,459

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. Certain prior period amounts have been reclassified to conform to current classifications. 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, 2019 and filed with the SEC on February 27, 2020.

The Company is a mining company, holding a 100% interest in the Rodeo property, the Velardeña and Chicago precious metals mining properties and associated oxide and sulfide processing plants in the state of Durango, Mexico (the “Velardeña Properties”), a 100% interest in the El Quevar advanced exploration silver property in the province of Salta, Argentina (subject to the terms of the April 9, 2020, earn-in agreement (the “Earn-in Agreement”) pursuant to which Barrick Gold Corporation (“Barrick”) has the option to earn a 70% interest in the El Quevar project (see Notes 11 and 19), and a diversified portfolio of precious metals and other mineral exploration properties located primarily in or near historical precious metals producing regions of Argentina, Nevada and Mexico. The Rodeo property, Velardeña Properties and the El Quevar advanced exploration property are the Company’s only material properties.

The Company remains focused on commencing mining operations at the Rodeo property as well as evaluating and searching for other mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our processing plants at the Velardeña Properties. The Company is also focused on advancing our El Quevar exploration property in Argentina through the Earn-in Agreement with Barrick and on advancing selected properties in our portfolio of approximately 12 properties, located in Mexico, Nevada and Argentina. The Company is also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico.

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”) (see Note 19). 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, including the start-up of mining operations at the Rodeo property, and to provide oversight for corporate compliance activities as well as maintaining and safeguarding the longer-term value of the Velardeña Properties assets.

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. 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 17). The effect of correcting this error was to reduce beginning retained earnings by \$267,000 with \$154,000 and \$113,000 accruing to 2018 and 2019, respectively. The \$267,000

adjustment to retained earnings is 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 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 2019 Financial Statements (“SAB 108”).

3. New Accounting Pronouncements

During the first quarter 2020 the Company adopted ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 modifies the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the more timely recognition of losses. As the Company’s principle credit risk is related to its Lease Receivables the adoption of this update did not result in a material impact on the Company’s consolidated financial position or results of operations.

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 4).

4. Change in Accounting Principle

Leases

Effective January 1, 2019 the Company adopted ASU 2016-02 and ASU 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 Company has elected to apply several practical expedients available under the application of ASU 2016-02 and ASU 2018-11, which allowed the Company to forego reassessing the classification of existing or expiring leases, evaluating whether any existing or expiring contracts contain leases or reassessing previously recorded indirect costs. The Company did not elect the practical expedient permitting the combination of lease and non-lease components of the contract. The adoption of ASU 2016-02 and ASU 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 a 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 and a lease liability of approximately \$450,000 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 expired in 2019 and recorded a combined lease liability of approximately \$45,000 and combined right of use asset of approximately \$45,000 relating to both of those leases at January 1, 2019. In November 2019, the Company renewed its Mexican office lease for four years and recorded a right of use asset and lease liability of approximately \$174,000. In December 2019, the Company also

renewed its Argentina office lease for two years and recorded a right of use asset and lease liability of approximately \$18,000.

The Company has included its right of use assets for the office leases described above in “*Other long-term assets*” (Note 11) and its office lease liabilities in “*Other liabilities*”, short term and long term (Note 14), in the Company’s Consolidated Balance Sheets for the periods ended September 30, 2020 and December 31, 2019.

5. 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.

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.

6. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets at September 30, 2020 and December 31, 2019 consist of the following:

	September 30, 2020	December 31, 2019
	(in thousands)	
Prepaid insurance	\$ 198	\$ 494
Recoupable deposits and other	372	175
	<u>\$ 570</u>	<u>\$ 669</u>

The September 30, 2020 recoupable deposits and other includes a receivable from Barrick for reimbursement of costs of approximately \$0.2 million related to the Earn-in Agreement (see Note 10).

7. Derivative at Fair Value

On December 3, 2019 the Company entered into an amendment to the plant lease agreement with Hecla, reducing the variable per tonne fee contained in the lease agreement from \$22.00 to \$11.00. Under certain silver price and delivered ore head grade limits, as fully discussed in Note 19, the variable per tonne fee could be increased back to the previous \$22.00 per tonne. Pursuant to ASC Topics 815-Derivatives and Hedging (“ASC 815”) and 842-Leases (“ASC 842”), arrangements with variable lease payments must be evaluated to assess whether they contain embedded derivatives. If embedded derivatives are not “clearly and closely related” to the lease contract, they must be bifurcated and accounted for separately from the host contract. The Company determined that the potential for the Company to receive an additional \$11.00 variable per tonne fee if certain conditions relating to the silver price and delivered ore head grades are met does not qualify for the “clearly and closely related” exception, and as a result, the potential additional \$11.00 variable per tonne fee constitutes a derivative that must be valued and accounted for apart from the host lease contract. Per the guidance of ASC 842, the Company has determined that the amendment to the lease agreement constituted a modification that must be accounted for as a new lease commencing on December 2, 2019, the date the amendment was agreed upon by both parties and expiring on December 31, 2020. The Company is treating the fair value of the derivative received at the time of the modification to the lease agreement as an upfront lease payment that will be amortized over the remaining life of the lease on a straight line basis (see Note 16 for a discussion of the valuation method used to compute the fair value of the derivative). At September 30, 2020 and December 31, 2019, the Company had recorded a “*Derivative at fair value*” asset of approximately \$251,000 and \$254,000, respectively. At September 30, 2020 and December 31, 2019, the

Company had also recorded “*Deferred Revenue*” of approximately \$45,000 and \$180,000, related to the amended lease agreement. At September 30, 2020 the Company recognized a reduction to “*Revenue - plant lease*” on the Company’s Condensed Consolidated Statements of Operations and a decrease to the derivative of approximately \$3,000 related to the change in the fair value of the derivative between December 31, 2019 and September 30, 2020. During the first nine months of 2020, the Company also recognized approximately \$135,000 “*Revenue - plant lease*” on the Company’s Condensed Consolidated Statements of Operations related to the amortization of deferred revenue.

8. Inventories, net

Inventories at the Velardeña Properties at September 30, 2020 and December 31, 2019 consist of the following:

	September 30, 2020	December 31, 2019
	(in thousands)	
Material and supplies	\$ 199	\$ 231
	<u>\$ 199</u>	<u>\$ 231</u>

The material and supplies inventory at September 30, 2020 and December 31, 2019 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, 2020, the Company has also recorded approximately \$37,000 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.

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, 2020	December 31, 2019
	(in thousands)	
Mineral properties	\$ 9,353	\$ 9,353
Exploration properties	2,418	2,518
Royalty properties	200	200
Buildings	3,755	3,755
Mining equipment and machinery	16,027	16,049
Other furniture and equipment	887	884
Asset retirement cost	948	866
	<u>33,588</u>	<u>33,625</u>
Less: Accumulated depreciation and amortization	<u>(28,245)</u>	<u>(27,594)</u>
	<u>\$ 5,343</u>	<u>\$ 6,031</u>

El Quevar Earn-In Agreement

On April 9, 2020, the Company and several of its directly and indirectly wholly-owned subsidiaries entered into the Earn In Agreement with Barrick, pursuant to which Barrick has acquired an option (the “Option”) to earn a 70% interest in the Company’s El Quevar project located in the Salta Province of Argentina. Pursuant to the terms of the Earn-In Agreement, in order to earn an undivided 70% interest in the El Quevar project, Barrick must: (A) incur a total of \$10 million in work expenditures over a total of eight years (\$0.5 million per year in years one and two, \$1 million per year in years three, four and five, and \$2 million per year in years six, seven and eight); (B) deliver to the Company a National

Instrument 43-101 compliant pre-feasibility study pursuant to the parameters set forth in the Earn-In Agreement; and (C) deliver a written notice to exercise the Option to the Company within the term of the Earn-In Agreement. Barrick may withdraw from the Earn-In Agreement at any time after spending a minimum of \$1 million in work expenditures and upon providing 30 days' notice to the Company. The Company will form a new entity ("NewCo") that will hold the El Quevar properties. Upon satisfaction of the earn-in conditions and exercise of the Option, NewCo will be 70% owned by Barrick and 30% owned by the Company. Funding of NewCo will be based on Barrick's and the Company's respective ownership and industry standard dilution mechanisms will apply in the case of funding shortfalls by either shareholder.

In connection with the Earn-In Agreement, the Company and Barrick also entered into a Subscription Agreement (the "Subscription Agreement") dated as of April 9, 2020 pursuant to which Barrick purchased 4,719,207 shares of the Company's common stock at a purchase price of \$0.2119 per share in a private placement transaction (see Note 18).

Sale of Santa Maria Property

On July 14, 2020, the Company entered into a binding letter of intent ("Letter of Intent") with Fabled Copper Corp. ("Fabled") for a potential transaction pursuant to which Fabled would acquire the Company's option to earn a 100% interest in the Santa Maria mining claims located in Chihuahua, Mexico (the "Option"). The Letter of Intent provides that entry into a definitive agreement regarding the Option is subject to, among other contingencies, (i) a 10 business-day period, which has since expired, during which Fabled conducted its due diligence, (ii) the ability of Fabled to secure financing of not less than CAD\$4,000,000, and (iii) acceptance by the TSX Venture Exchange of the proposed transaction.

As consideration for the Option, Fabled will (i) pay \$500,000 in cash to the Company upon closing and will issue to the Company 1,000,000 shares of Fabled's common stock; (ii) pay \$1,500,000 in cash to the Company on the one-year anniversary date following the closing; (iii) pay \$2,000,000 in cash to the Company on the two-year anniversary date following the closing; and (iv) upon exercise of the Option, grant the Company a 1% net smelter return royalty on the Santa Maria and Punto Com concessions.

The Letter of Intent contains standard representations, warranties, covenants, and other terms customary in similar transactions. The Company and Fabled agreed to use their commercially reasonable best efforts to enter into the definitive agreement on or before August 12, 2020 and prepare all necessary documentation and apply for and obtain TSX Venture Exchange approval and all other consents, orders or approvals as required or desirable to complete the potential transaction regarding the Option. The time limit for completing the definitive option agreement was subsequently extended to December 15, 2020. None of the consideration described above is payable until the definitive agreement is executed. The Company had previously expensed all costs associated with the two properties and will record income from the agreement as cash is received.

Property Abandonment

During the second quarter 2020, the Company allowed certain concessions related to the Company's immaterial Abalena exploration project in Mexico to expire. The concessions had a carrying value of \$0.1 million and the Company recorded a \$0.1 million loss included in *Other operating (expense) income, net* on the accompanying Condensed Consolidated Statement of Operations.

Equipment Related to the Oxide Plant Lease

Certain assets of the Company are related to the lease of the Velardeña oxide plant to Hecla (see Note 19). The net book value of the equipment involved in the lease was approximately \$0.5 million at both September 30, 2020 and December 31, 2019.

11. Other Long-Term Assets

Other long-term assets at September 30, 2020 and December 31, 2019 consist of the following:

	September 30, 2020	December 31, 2019
	(in thousands)	
Deferred offering costs	\$ 479	\$ 511
Right of use assets	509	620
	<u>\$ 988</u>	<u>\$ 1,131</u>

The deferred offering costs are associated with the LPC Program and the ATM Agreement (see Note 18). The right of use assets are related to certain office leases (see Note 4).

12. Accounts Payable and Other Accrued Liabilities

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

	September 30, 2020	December 31, 2019
	(in thousands)	
Accounts payable and accruals	\$ 583	\$ 710
Accrued employee compensation and benefits	721	724
Value added tax payable	—	401
Income taxes payable	—	292
	<u>\$ 1,304</u>	<u>\$ 2,127</u>

September 30, 2020

Accounts payable and accruals at September 30, 2020 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.

Accrued employee compensation and benefits at September 30, 2020 consist of \$0.3 million of accrued vacation payable and \$0.4 million related to withholding taxes and benefits payable. Included in the \$0.7 million of accrued employee compensation and benefits is \$0.5 million related to activities at the Velardeña Properties.

December 31, 2019

Accounts payable and accruals at December 31, 2019 are primarily related to amounts due to contractors and suppliers in the amounts of \$0.3 million related to the Company's Velardeña Properties and \$0.3 million related to corporate administrative and exploration activities.

Accrued employee compensation and benefits at December 31, 2019 consist of \$0.2 million of accrued vacation payable and \$0.5 million related to withholding taxes and benefits payable. Included in the \$0.7 million of accrued employee compensation and benefits is \$0.5 million related to activities at the Velardeña Properties.

The VAT payable is primarily related to VAT collected on the sale of the Mogotes and Pistachon properties in Mexico in December 2019, with such amount being remitted to the Mexican government in January 2020. The Company has recorded VAT paid in Mexico and related to the Velardeña Properties as a recoverable asset. At December 31, 2019, the Company recorded approximately \$73,000 of VAT receivable as a reduction to VAT payable presented in the table above. The VAT was paid during the first quarter 2020.

The income taxes payable are related to certain Canadian taxes due on capital distributions the Company received from its Canadian subsidiary (see Note 17). The taxes were paid in February 2020.

13. Debt – Related Party

On March 30, 2020, in response to potential economic and market uncertainties caused by the COVID-19 pandemic, the Company entered into a Short-Term Loan Agreement (the “Loan Agreement”) with Sentient Global Resources Fund IV, L.P., a Cayman Islands exempted limited partnership (“Sentient”), pursuant to which Sentient granted to the Company an unsecured loan in an amount equal to \$1,000,000 (the “Sentient Loan”). Sentient is a private equity fund, and together with certain other Sentient equity funds, Sentient is the Company’s largest stockholder, holding in the aggregate approximately 32% of the Company’s outstanding common stock at the date of the Loan Agreement. The Sentient Loan had an interest rate of 10% per annum and was due in full, together with accrued interest and any other amount outstanding under the Loan Agreement, on December 31, 2020. On August 12, 2020 the Company repaid the Sentient Loan in full in the amount of approximately \$1,037,159 (including all accrued interest), with no prepayment penalty, and terminated, the Loan Agreement.

14. Other Liabilities

Other Current Liabilities

The following table sets forth the Company’s other current liabilities at September 30, 2020 and December 31, 2019:

	September 30, December 31,	
	2020	2019
	(in thousands)	
Autlán refundable deposit	\$ —	\$ 1,251
Premium financing	108	455
Office lease liability	122	118
	<u>\$ 230</u>	<u>\$ 1,824</u>

The Autlán refundable deposit is the remaining principal plus interest liability related to the deposit received for the proposed sale of the Company’s Velardeña Properties and other mineral concessions to Autlán in 2019. On September 11, 2019, the Company announced that Autlán exercised its right to terminate the agreement for the purchase of the properties. As a result of termination of the agreement, the Company was required to repay the original \$1.5 million deposit amount by making monthly payments of \$257,000, commencing on December 9, 2019, until the deposit amount is repaid with interest at approximately 11% per annum. On April 7, 2020, the Company and Autlán agreed to reduce the monthly payments to \$81,000 and the interest rate applicable to the unpaid repayment amount was increased from 11% per annum to 12% per annum, effective on April 9, 2020, with the remaining balance due in full by December 2020. At September 30, 2020 the Company had repaid Autlán the full \$1.5 million deposit, plus approximately \$66,000 of interest and no amounts remained due. The Company recorded approximately \$55,000 of interest expense for the nine months ended September 30, 2020 related to the Autlán refundable deposit.

The premium financing consists of the remaining balance, plus accrued interest, related to premiums payable for the Company’s directors and officers insurance and general liability insurance. In June 2019, the Company financed \$151,000 of its premium for general liability insurance. The premium was payable in twelve equal payments at an interest rate of 5.74% per annum. At September 30, 2020, there was no remaining balance. In December 2019 the Company financed \$482,000 of its premium for directors and officers insurance. The premium is payable in twelve equal payments at an interest rate of 5.74% per annum. At September 30, 2020 the remaining balance, plus accrued interest, was approximately \$108,000.

The office lease liability is related to lease liabilities for office space at the Company’s principal headquarters in Golden, Colorado and in Mexico and Argentina (see Note 4).

Other Long-Term Liabilities

Other long-term liabilities of \$0.4 million and \$0.5 million for the periods ended September 30, 2020 and December 31, 2019, respectively, are primarily related to a lease liability for office space at the Company’s principal headquarters in Golden (see Note 4).

15. 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 2020, the Company recognized approximately \$184,000 of accretion expense.

The following table summarizes activity in the Velardeña Properties ARO:

	Nine Months Ended September 30,	
	2020	2019
	(in thousands)	
Beginning balance	\$ 2,825	\$ 2,660
Changes in estimates, and other	82	(60)
Accretion expense	184	167
Ending balance	<u>\$ 3,091</u>	<u>\$ 2,767</u>

The change in estimates of the ARO recorded during 2020 and 2019 are primarily the result of changes in assumptions related to inflation factors used in the determination of future cash flows.

The ARO set forth on the accompanying Condensed Consolidated Balance Sheets at September 30, 2020 and December 31, 2019 includes a nominal amount of reclamation liability related to activities at the El Quevar project in Argentina.

16. 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, 2020 and December 31, 2019, 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)			
At September 30, 2020				
Assets:				
Cash and cash equivalents	\$ 8,658	\$ —	\$ —	\$ 8,658
Derivative at fair value	<u>—</u>	<u>—</u>	<u>251</u>	<u>251</u>
	<u>\$ 8,658</u>	<u>\$ —</u>	<u>\$ 251</u>	<u>\$ 8,909</u>
At December 31, 2019				
Assets:				
Cash and cash equivalents	\$ 4,593	\$ —	\$ —	\$ 4,593
Derivative at fair value	<u>—</u>	<u>—</u>	<u>254</u>	<u>254</u>
	<u>\$ 4,593</u>	<u>\$ —</u>	<u>\$ 254</u>	<u>\$ 4,847</u>

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

The "Derivative at Fair Value" asset on the Consolidated Balance Sheets is related to the amendment to the Hecla plant lease agreement (see Note 19). The Company has determined that the portion of the variable lease payment that is based on the average price of silver and the average grade of material processed during a given month represents an embedded derivative (see Note 7). The Company assesses the fair value of the derivative at the end of each reporting period, with changes in the value recorded as an increase or decrease to "Oxide Plant Revenue" on the Company's Consolidated Statements of Operations. The derivative asset was recorded at fair value as of December 2, 2019, the effective date of the lease amendment, and at December 31, 2019, based primarily on a valuation performed by a third-party expert using a Monte Carlo simulation and an option pricing model to calculate the potential discounted cash flow from the derivative based on the probability that the price of silver will have an average price for any given month during 2020 that equals or exceeds \$20.00 per ounce or a grade processed equal to or exceeding 1,000 grams per tonne combined with a risk adjusted estimate of material to be processed. The Company performed its own valuation of the derivative asset at September 30, 2020 based on an assumed average 95 percent probability that the silver price would remain above \$20.00 per ounce for the remainder of the lease term. The valuations fall within Level 3 of the fair value hierarchy. The valuation policies are approved by the Chief Financial Officer who reviews and approves the inputs used in the fair value calculations and the changes in fair value measurements from period to period for reasonableness. Fair value measurements are discussed with the Company's Chief Executive Officer, as deemed appropriate. The valuation model primarily takes into consideration the potential discounted cash flow from the derivative based on the probability that the price of silver will have an average price for any given month during 2020 that equals or exceeds \$20.00 per ounce or a grade processed equal to or exceeding 1,000 grams per tonne combined with a risk adjusted estimate of material to be processed.

At September 30, 2020 and December 31, 2019, the Company did not have any financial assets or liabilities classified within Level 2 of the fair value hierarchy.

Non-recurring Fair Value Measurements

There were no non-recurring fair value measurements at September 30, 2020 or December 31, 2019.

17. 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, 2020 the Company recognized \$18,000 of income tax expense. For the nine months ended September 30, 2019 the Company recognized income tax expense of \$9,000. 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, 2020 and as of December 31, 2019, 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, including an estimate of interest due of approximately \$20,000 on the late filing. 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 (Note 2). In February 2020 the Company applied to enter into the Canadian Revenue Agency's Voluntary Disclosure Program, whereby the Company paid the taxes and the estimated interest due and requested 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, 2020 or December 31, 2019.

18. Equity

Public offering

On July 21, 2020, the Company entered into an Amended and Restated Underwriting Agreement (the "Underwriting Agreement") with H.C. Wainwright & Co., LLC as representative of the underwriters named in Schedule I thereto (the "Underwriters"), providing for the issuance and sale by the Company in a firm commitment offering (the "Offering") of 17,857,143 shares of common stock at a price to the public of \$0.42 per share (the "Offering Shares"). In addition, the Company granted the Underwriters an option to purchase, at the public offering price per share of common stock, up to an additional 2,678,571 shares of common stock, exercisable for 30 days from the date of the Underwriting Agreement (the "Option Shares"). The Offering Shares and Option Shares were registered pursuant to the Company's registration statement on Form S-3 (File No. 333-220461), and a prospectus supplement thereto filed with the Securities and Exchange Commission. On July 24, 2020, the Underwriters acquired the Offering Shares and the full amount of the Option Shares from the Company. After the underwriting discount of 6% and total offering expenses of approximately \$155,000 the company received net proceeds of approximately \$8.0 million from the sale of the Offering Shares and the Option Shares.

Subscription agreement

In connection with the Earn-In Agreement (see Note 11), the Company and Barrick entered into the Subscription Agreement dated as of April 9, 2020 pursuant to which Barrick purchased 4,719,207 shares of the Company's common stock at a purchase price of \$0.2119 per share in a private placement transaction. The Shares were offered and sold without registration under the Securities Act of 1933, as amended (the "Act") in reliance on the exemptions provided by Section 4(a)(2) of the Act and/or Regulation D promulgated thereunder. The net proceeds of the Subscription Agreement of approximately \$0.9 million were recorded in equity and appear as a separate line item in the Condensed Consolidated Statements of Changes in Equity.

Offering and private placement

On April 20, 2020, the Company entered into a securities purchase agreement with certain institutional investors providing for the issuance and sale of 15,000,000 shares of the Company's common stock at a price of \$0.20 per share, and in a concurrent private placement transaction, the issuance of an aggregate of 11,250,000 warrants, ultimately

consisting of 7,500,000 series A warrants and 3,750,000 series B warrants (collectively, the “Warrants”), to purchase up to 11,250,000 shares of our common stock at an exercise price of \$0.30 per share, for aggregate gross proceeds of \$3.0 million (the “Offering”). Each Warrant is exercisable six months from the date of issuance on April 22, 2020 and has a term expiring five years after such initial exercise date. The Warrants contain so-called full-ratchet anti-dilution provisions which may be triggered upon any future issuance by the Company of shares of its common stock or common stock equivalents at a per share price below the then-exercise price of the Warrant, subject to certain exceptions; provided, however, that with respect to the Series B warrants, the adjusted exercise price will not be less than \$0.26.

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 \$334,000, including listing fees, legal and other costs, and the placement agent fee of six percent of aggregate gross proceeds, however, a reduced fee was accepted with respect to one investor. All such costs were recorded as a reduction to “*Additional paid in capital*” on the Condensed Consolidated Balance Sheets. Using the Black Scholes model, and assuming no triggering events take place to reduce the exercise price of the warrants, the fair value of the combined Series A and Series B warrants issued was approximately \$1.9 million on April 22, 2020, the date of issuance of the warrants. The Black Scholes inputs included the closing stock price on April 22, 2020 (the date of issuance of the warrants) of \$0.24, the exercise price and exercise period of the warrants, the Company’s applicable volatility rate for the period of the Warrants of 95%, and the applicable risk-free rate of 0.41%.

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 became 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 became 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%.

Commitment purchase agreement

On May 9, 2018, the Company entered into a commitment purchase agreement (the “Commitment Purchase Agreement”) with LPC, pursuant to which the Company, at its sole discretion, has the right to sell up to \$10.0 million of the Company’s common stock to LPC, subject to certain limitations and conditions contained in the Commitment Purchase Agreement (the “LPC Program”). The Company closed on the Commitment Purchase Agreement in July 2018, which is currently set to expire in May 2021.

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.

During the nine months ended September 30, 2020 the Company sold 900,000 shares of common stock to LPC under the Commitment Purchase Agreement at an average sales price per share of approximately \$0.27, resulting in net proceeds of approximately \$216,000. In addition, approximately \$24,000 of Commitment Purchase Agreement costs were amortized, resulting in a remaining balance of \$353,000 of deferred LPC Program costs, recorded in "*Other long-term assets*" on the Condensed Consolidated Balance Sheets as of September 30, 2020.

During the nine months ended September 30, 2019 the Company sold 2,113,642 shares of common stock to LPC under the Commitment Purchase Agreement 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 Commitment Purchase Agreement costs were amortized.

There are currently 12.2 million shares remaining available for issuance under the LPC Program.

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 2020, the Company sold an aggregate of 823,452 shares of common stock under the ATM Agreement at an average price of \$0.28 per share of common stock for net proceeds of approximately \$223,000. In addition, approximately \$8,000 of deferred ATM Program costs were amortized, resulting in a remaining balance of \$129,000 of deferred ATM Program costs, recorded in "Prepaid expenses and other assets" on the Condensed Consolidated Balance Sheets as of September 30, 2020.

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.

There are currently 8.1 million shares remaining available for issuance under the ATM Program. However, as of October 31, 2020, the Company does not have availability under its shelf registration statement due to limitations imposed under SEC rules for public companies with a public float of less than \$75 million. As such, we do not currently have the ability to issue shares under the ATM Program until such time as the calculation of our shelf registration capacity changes.

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, 2020 and the changes during the nine months then ended:

Restricted Stock Grants	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2019	318,003	\$ 0.45
Granted during the period	300,000	0.42
Restrictions lifted during the period	(297,333)	0.35
Forfeited during the period	—	—
Outstanding September 30, 2020	<u>320,670</u>	<u>\$ 0.37</u>

For the nine months ended September 30, 2020 the Company recognized approximately \$90,000 of compensation expense related to the restricted stock grants. The Company expects to recognize additional compensation expense related to these awards of approximately \$98,000 over the next 22 months. The grants made during the period were to 7 current employees, with one third of the grants vesting immediately on the grant date and one third vesting on each of the first and second anniversaries of the grant date. The restrictions lifted during the period include the 100,000 shares of current period grants that vested on the grant date. The remaining restrictions lifted during the period are related to grants made to the same 7 employees in prior years.

The following table summarizes the status of the Company's stock option grants issued under the Equity Plan at September 30, 2020 and the changes during the nine months then ended:

Equity Plan Options	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2019	30,310	\$ 8.06
Granted during the period	—	—
Forfeited or expired during period	(30,310)	\$ 8.06
Exercised during period	—	—
Outstanding September 30, 2020	<u>—</u>	<u>\$ —</u>
Exercisable at end of period	—	\$ —
Granted and vested	—	\$ —

As of September 30, 2020, all of the prior stock options granted had expired.

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, 2020 and the changes during the nine months then ended:

Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2019	2,830,038	\$ 0.78
Granted during the period	780,000	0.40
Restrictions lifted during the period	—	—
Forfeited during the period	—	—
Outstanding September 30, 2020	<u>3,610,038</u>	<u>\$ 0.70</u>

For the nine months ended September 30, 2020 the Company recognized approximately \$233,000 of compensation expense related to the RSU grants. The Company expects to recognize additional compensation expense related to the RSU grants of approximately \$135,000 over the next 9 months. Included in the RSUs granted during the period were 300,000 RSUs awarded to the directors in lieu of the annual cash retainer. Such RSUs vested upon grant and the Company recorded \$120,000 of compensation expense related to the grant.

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.

On February 26, 2019, the Company awarded a 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 \$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 were recorded in equity at September 30, 2019.

On May 21, 2020, the Company awarded a total of 1,400,000 KELTIP Units to two officers of the Company and recognized compensation expense of approximately \$448,000. There were 3,725,000 and 2,325,000 KELTIP Units outstanding at September 30, 2020 and December 31, 2019, respectively.

Common stock warrants

The following table summarizes the status of the Company's common stock warrants at September 30, 2020 and the changes during the nine months then ended:

Common Stock Warrants	Number of Underlying Shares	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2019	14,653,846	\$ 0.39
Granted during the period	—	—
Series A warrants	7,500,000	0.30
Series B warrants	3,750,000	0.30
Dilution adjustment	—	—
Expired during period	—	—
Exercised during period	—	—
Outstanding September 30, 2020	<u>25,903,846</u>	\$ 0.35

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

As discussed above under "Equity – Offering and private placement", on April 20, 2020, the Company entered into a securities purchase agreement with certain institutional investors providing for the issuance and sale of 15,000,000 shares of the Company's common stock and in a concurrent private placement transaction, the issuance of an aggregate of 11,250,000 warrants, ultimately consisting of 7,500,000 series A warrants and 3,750,000 series B warrants.

Also as discussed above under "Equity – Registered direct offering", on July 17, 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.

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.

All outstanding warrants are recorded in equity at September 30, 2020 and December 31, 2019.

19. Revenue, Deferred Revenue and Related Costs Oxide Plant Lease and Oxide Plant Lease Costs

For the nine months ended September 30, 2020 the Company recorded revenue of approximately \$4.6 million and related costs of approximately \$1.6 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 had the right to terminate the lease during the Extension Period for any reason with 120 days’ notice.

The Company will recognize the \$1.0 million of income from granting the option over the expected life of the lease from beginning from the date of the Second Amendment dated August 2, 2017 through November 30, 2020 on a straight-line basis, including such income in “Revenue: Oxide plant lease” in the Condensed Consolidated Statements of Operations. During the nine months ended September 30, 2020 the Company recognized approximately \$0.2 million of amortized income related to the upfront cash payment. As of September 30, 2020, the unamortized portion of the lease option totaled approximately \$0.1 million, recorded as short term “Deferred revenue” on the Condensed Consolidated Balance Sheets.

On December 2, 2019 the Company and Hecla entered into a Third Amendment to the Master Agreement and Lease Agreement dated August 2, 2017. Under the terms of the Third Amendment, the Company has agreed to reduce the per tonne fee payable by Hecla for the duration of the lease term, commencing on January 1, 2020 from \$22.00 per tonne to \$11.00 per tonne. However, the Company will receive \$22.00 per tonne processed during any month in which one of the following conditions occur: (1) the Comex daily silver spot closing average price for such month is equal to or greater than \$20.00 per ounce, or (2) the mill head grade average from the metallurgical balance for such month is equal to or greater than 1,000 grams per ton equivalent silver head grade. If either of the conditions are met in any month, Hecla will pay the \$22.00 fee on all amounts processed in the oxide plant during such month. The reduced fee only applies to the tonnage-based payments under the Lease Agreement; the monthly lease payment of \$125,000 per month is not affected by the Third Amendment. During each of the three months ended September 30, 2020, the Comex daily silver spot closing average price exceeded \$20.00 per ounce. As a result, the Company received the higher \$22.00 per tonne for material processed during those months. Under the terms of the Lease Agreement, Hecla had the right to terminate the Lease Agreement at any time upon 120 days written notice. The Third Amendment extended the advance notice required to 150 days.

On July 7, 2020, the Company received notification from Hecla terminating the Lease Agreement pursuant to the Third Amendment, effective November 30, 2020. Pursuant to the terms of the Lease Agreement, Hecla had a one-time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if the Company decided to use the oxide plant for its own purposes before December 31, 2020. The Company provided written notice to Hecla of its intent to use the oxide plant for its own purposes and Hecla provided written confirmation to the Company that it would not exercise its right of first refusal pursuant to the Lease Agreement.

The Company has determined that the ability to receive the higher \$22.00 per tonne fee, as described above, creates a derivative asset. The Company treated the derivative asset as an upfront lease payment that will be amortized over the remaining life of the lease and also recorded deferred revenue equal to the value of the derivative asset, as more fully described in Note 7. The amortization of the upfront lease payment and the increase in the derivative asset at December 31, 2019 were recorded as an increase of approximately \$74,000 to “Revenue: Oxide plant lease” in the Consolidated Statements of Operations for the period ended December 31, 2019. For the nine-month period ended September 30, 2020 the amortization of the upfront lease payment and the decrease in the derivative asset (Note 7) were recorded as an increase of approximately \$132,000 to “Revenue: Oxide plant lease” in the Consolidated Statements of Operations.

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. During the nine months ended September 30, 2019 the Company also recognized approximately \$0.2 million of amortized income related to the upfront cash payment from Hecla, as discussed above.

20. Interest and Other Expense, Net

For the nine months ended September 30, 2020 the Company recognized approximately \$0.1 million *Interest and Other Expense* primarily related to amounts payable to Sentient and Autlán (see Notes 13 and 14).

For the nine months ended September 30, 2019 the Company recognized approximately \$0.2 million of *Interest and Other Expense* primarily related to the sale of Golden Tag shares held by the Company at that time. All the Golden Tag shares were sold during the third quarter 2019.

21. Supplemental Cash Flow Information

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

	Nine Months Ended September 30,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$ (6,945)	\$ (6,569)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	770	814
Accretion of asset retirement obligation	184	167
Decrease in derivative at fair value, net	3	—
Loss on trading securities	—	217
Asset write off	100	19
Gain on sale of assets	(25)	(144)
Stock compensation	771	725
Changes in operating assets and liabilities from continuing operations:		
(Increase) decrease in lease receivable	(54)	21
Decrease in prepaid expenses and other assets	30	244
Decrease in inventories	33	3
Decrease in value added tax recoverable, net	—	2
Decrease (increase) in other long term assets	143	(396)
Decrease in reclamation liability	(3)	(68)
(Decrease) increase in accounts payable and accrued liabilities	(823)	135
(Decrease) increase in other current liabilities	(1,594)	1,500
Decrease in deferred revenue	(372)	(219)
(Decrease) increase in other long term liabilities	(109)	427
Net cash used in operating activities	<u>\$ (7,891)</u>	<u>\$ (3,122)</u>

The following table sets forth supplemental cash flow information and non-cash transactions:

	Nine Months Ended September 30,	
	2020	2019
	(in thousands)	
Supplemental disclosure:		
Interest paid	\$ 95	\$ —
Income taxes paid	\$ 284	\$ —
Supplemental disclosure of non-cash transactions:		
Deferred equity offering costs amortized	\$ 32	\$ 58

22. Commitments and Contingencies

At September 30, 2020 and December 31, 2019, 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, 2019.

23. 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, 2020	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	\$ 2,146	\$ 582	\$ 162	\$ 358	\$ (959)		\$ 65
Corporate, Exploration and Other	—	—	64	2,056	2,227		35
	<u>\$ 2,146</u>	<u>\$ 582</u>	<u>\$ 226</u>	<u>\$ 2,414</u>	<u>\$ 1,268</u>		<u>\$ 100</u>
Nine Months Ended September 30, 2020							
Velardeña Properties	\$ 4,566	\$ 1,566	\$ 562	\$ 1,339	\$ (820)	\$ 4,912	\$ 66
Corporate, Exploration and Other	—	—	208	6,608	7,747	11,668	35
	<u>\$ 4,566</u>	<u>\$ 1,566</u>	<u>\$ 770</u>	<u>\$ 7,947</u>	<u>\$ 6,927</u>	<u>\$ 16,580</u>	<u>\$ 101</u>
Three Months Ended September 30, 2019							
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>
Nine Months Ended September 30, 2019							
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>

24. 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, Lease of Equipment:

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, 2020, Sentient, through the Sentient executive funds, holds approximately 28% of the Company's 149.0 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, 2020 and 2019 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.

Beginning in July 2020, the Company has agreed to lease certain nonessential mining equipment to Minera Indé over a three-month period for \$20,000. The lease could be extended beyond three months for \$3,000 per month. The Audit Committee approved the agreement.

Debt – Related Party

As previously discussed, on March 30, 2020, the Company entered into a short-term loan agreement with Sentient whereby the Company received an unsecured loan in the amount of \$1,000,000. The Sentient Loan had an interest rate of 10% per annum and was due in full, together with accrued interest and any other amount outstanding under the loan agreement, on December 31, 2020. During August 2020, the Company paid in full the principal amount of the loan plus accrued interest. See Note 13 for a full description of the loan.

25. Subsequent Events

Exercise of Warrants

On October 20, 2020, 2.5 million Series A warrants issued in the April 2020 Offering were exercised according to the terms of the warrant agreement and 2.5 million shares of the Company's common stock were issued at a price of \$0.30 per share. The Company received approximately \$0.8 million in cash proceeds from the exercise.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the respiratory disease caused by the new coronavirus as "pandemic". As of the date of issuance of the condensed consolidated financial statements, the Company's financial condition has not been significantly impacted, however, the Company continues to monitor the situation. No impairments were recorded as of the condensed consolidated balance sheet date, however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Company's results of operation, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

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, 2020, 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, 2020 and 2019.

We remain focused on commencing mining operations at the Rodeo property as well as further studies of a restart plan for Velardeña including use of bio-oxidation to improve the payable gold recovery. We also continue to evaluate and search 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 focused on advancing our El Quevar exploration property in Argentina through the Earn-In Agreement with Barrick and on advancing selected properties in our portfolio of approximately 12 properties, located in Mexico, Nevada and Argentina. We are reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including 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, 2019, filed with the SEC on February 27, 2020.

2020 Highlights

COVID-19 uncertainties

We have undertaken several initiatives in response to COVID-19 related economic and financial market uncertainties.

We are following World Health Organization protocols and local government rules and recommendations at all of our projects and corporate offices. Office employees are working remotely wherever possible. In compliance with a directive of the Mexican Federal Government to suspend all non-essential activities, including mining, in response to the COVID-19 pandemic, we suspended mining activities at our Velardeña Properties (Durango State, Mexico) during portions of April and May 2020. Work was conducted jointly with Hecla to shut down the oxide mill that Hecla presently leases from us. Per the terms of the existing lease agreement, Hecla continued to pay the fixed monthly fee of \$125,000 during the temporary shutdown, as well as pay for certain shutdown-related costs. We did not, however, receive the variable component of revenue that is tied to tonnes of ore milled per month during the temporary shutdown. Activities at the Velardeña Properties, including processing of Hecla material at the oxide mill, have continued uninterrupted since the temporary shutdown.

To provide greater financial flexibility at the onset of the COVID-19 pandemic, on March 30, 2020, we entered into the Sentient Loan, whereby Sentient granted us an unsecured loan in an amount equal to \$1,000,000. The Sentient Loan had an interest rate of 10% per annum and was due in full, together with accrued interest and any other amount outstanding under the loan agreement, on December 31, 2020. During August 2020, we repaid the loan and accrued interest in full. See Note 13 for a full description of the Sentient Loan.

In addition to the Sentient Loan, we also reached an agreement in April 2020 with Autlán to extend the time to repay, through December 2020, the remaining \$0.8 million related to the \$1.5 million refundable deposit. The deposit was related to the proposed sale of our Velardeña Properties and other assets in June 2019, which was subsequently terminated. During August 2020, we paid the remaining refundable deposit plus accrued interest in full. See Note 14 for a full description of the refundable deposit.

Rodeo Property

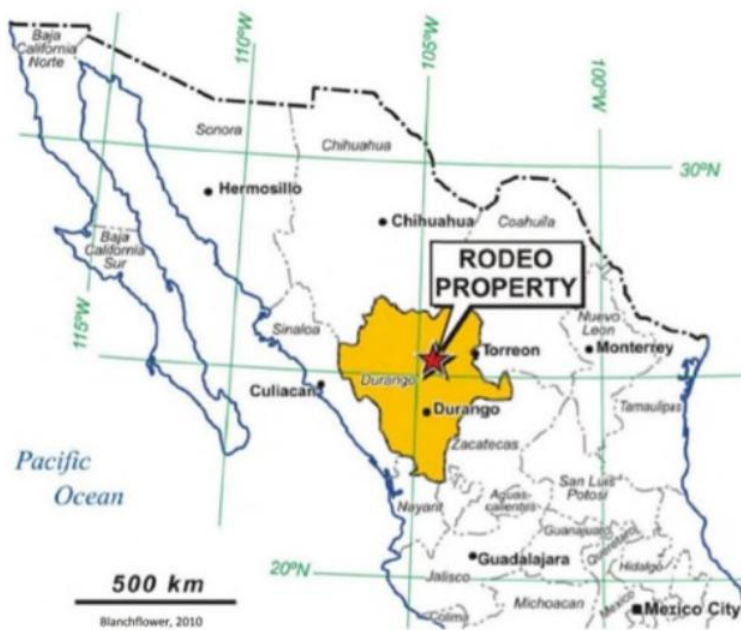
As a result of our decision to seek to commence mining operations at our Rodeo project, we now consider the Rodeo property to be one of our material properties, along with the Velardeña Properties and the El Quevar project. Further information about our Rodeo project is set forth below.

Location, Access and Facilities

Our Rodeo project is located approximately 2 kilometers east of the town of Rodeo in Durango State, Mexico. The city of Torreón is located 189 kilometers by road to the east of the project and the city of Durango is located 157 kilometers by road to the south. The property can be reached via gravel roads from the town of Rodeo. Basic amenities are available in the town of Rodeo. Facilities onsite at the Rodeo project will include fuel storage, a maintenance area, portable warehouses, mobile offices and other essential services and support units. No processing facilities will be located on site. We have obtained rights to extract water from the Nazas River which is within a few kilometers of the project. There is a power line that crosses the property and services the nearby villages however, we anticipate relying on generators to provide power for the minimal infrastructure required at the mine site.

Our proposed mine plan for the Rodeo project contemplates the processing of mined material at our Velardeña oxide mill, which is located approximately 115 kilometers via road from the Rodeo project. We plan to truck mined material to the plant using a commercial trucking contractor. Our Velardeña oxide plant is a typical agitated leach plant that is rated to handle up to 550 tonnes per day of throughput. The plant is equipped with a modern doré refinery, and the attached tailings facility recently underwent an expansion which is expected to be sufficient for the tailings that would be produced from operations at Rodeo. We have begun preparing for the installation of a new regrind mill circuit at the plant specifically to process the harder mined material coming from the Rodeo property (as discussed more fully below). The circuit, which will allow for the maximum recovery of gold, is expected to be operational in January of 2021 at a total cost of approximately \$600,000. Power for the plant is provided through substations connected to the national grid.

The following map shows the location of the Rodeo project.



Property History

Exploration and informal mining of the Rodeo property dates back over 25 years. Prior to 1994, two prospects, called the “Los Murcielagos” gold-silver-lead-copper and “Francisco Marquez” gold-copper prospects, were documented in the vicinity of the Los Murcielagos arroyo on the Rodeo property. Little information is available on these historic prospects other than gold- and silver-bearing mineralization was apparently extracted from short adits that are visible from surface. In the early 1990’s, exploration work, including geological mapping and drilling, on the property was carried out by La Cuesta International Inc. and Monarch Resources de Mexico, S.A. de C.V. The property was acquired by Canplats Resource Corporation in 2003, and it conducted a geochemical sampling program and multiple drilling programs during the mid-2000s. Canplats was acquired by Goldcorp Inc. in 2010 and the rights to the Rodeo concessions came to be held

in Camino Minerals Corporation (“Camino”), a wholly owned subsidiary of Goldcorp. In 2010, Camino issued a technical report on the property. In 2011, Camino conducted a 6,238-meter drilling program to investigate the extension of the known mineralization to the north and south of the main mineralized zone of the property, as well as its depth. In 2014, Camino relinquished its right to acquire the Rodeo concessions and the property reverted to La Cuesta. We acquired the Rodeo concessions from La Cuesta International Inc. in 2015.

Title and Ownership Rights

The Rodeo project consists of two mineral concessions totaling approximately 1,866 hectares. The “Rodeo” concession, totaling 521 hectares, is held under a lease agreement dated May 18, 2015 pursuant to which we are required to make advance payments of \$40,000 per year to La Cuesta International, S.A. de C.V., a wholly-owned subsidiary of La Cuesta International Inc (“La Cuesta”). Upon commencement of commercial production, we will be required to pay a 2% net smelter return royalty from production to La Cuesta. After \$5 million has been paid to La Cuesta under the royalty agreement, the royalty payment will reduce to a 1% net smelter return. The mineralized material that has been identified to date and which forms the basis for the Preliminary Economic Assessment described below is located on the Rodeo concession.

The “Rodeo 2” concession, totaling approximately 1,345 hectares, was purchased from Rojo Resources, S.A. de C.V. under a purchase agreement dated July 22, 2015. Royalty payments of 2% of net smelter returns on material produced from Rodeo 2 will also be due to La Cuesta.

We are also required to pay a 0.5% net smelter return royalty to the Mexican federal government from all production at the Rodeo property.

The following Rodeo property mine concessions are identified below by name and file number in the Federal government Public Registry of Mining.

Name of Mine Concession	Concession File Number
Rodeo	30748
Rodeo 2	31305

Similar to our Velardeña Properties, the Rodeo property is subject to the Mexican ejido system requiring us to contract with the local communities, or ejidos, surrounding the property to access mineral claims needed in connection with our mining and exploration activities. We have an agreement with the local ejidos to allow access to the property that we believe will be sufficient to conduct our proposed mining activities. The local ejidos do not have a direct interest in the mineral claims and payments under the agreement are expected to be less than \$5,000 per year. We also have a separate surface rights agreement in place with a local private landowner that allows us to conduct mining operations on the two concessions. The agreement requires us to make annual payments of \$60,000.

Geology and Mineralization

The Rodeo concession lies on the eastern boundary of the Sierra Madre Occidental. The Rodeo fault system consists of three major parallel shear zones and wall-rock fracture systems that are the principal feeder conduits for a high-level, gold-silver epithermal mineral system. These major vein-filled structures appear to be feeder conduits responsible for the 1 kilometer by 4 kilometer area of silicified, clay-altered and gold-anomalous rocks forming resistant north northwest-trending ridges. All three of the structures are wide, laterally persistent, well-developed feeder vein swarms with high-level, locally banded agate to chalcedonic quartz veins, stockworks and silicified breccias. In the area of principal interest, the structures are strongly veined, silicified, brecciated, and mineralized for over 4 kilometers, and the shear zones and hydrothermal system can be traced for 8 kilometers on the property. Individual feeder vein and breccia systems are up to 60 meters thick. Flexures in the vein swarms and/or structural intersections provide brecciation and open conduits for intense, episodic fluid flow and silica deposition with the potential for ore-grade concentrations of precious metals, especially gold.

The immediate Rodeo deposit area is approximately 300 meters along strike and 200 meters wide and extends to a depth of 200 meters below surface. The deposit strikes at 330° and dips to the east northeast with various vein phases dipping from subvertical to 30°. The deposit is entirely hosted within Tertiary Rodeo volcanics that are strongly silicified and brecciated. The deposit is bound to the east by the Rodeo fault, however drilling to date has not demonstrated that the deposit reaches or is truncated by the fault. Along strike to the north and south, the mineralization is offset slightly by near vertical faulting; mineralization does not terminate at these faults but the intensity of the trend is either diminished or has yet to be located.

2017 Mineralized Material Estimate

During January 2017, Tetra Tech, Inc. completed an estimate of mineralized material at the Rodeo deposit, prepared pursuant to Canada National Instrument 43-101. The estimate was prepared using a block model rotated to fit the deposit strike. Two different estimates were prepared based on alternative operating scenarios. The first operating scenario, which contemplates transportation of the mined material to the Velardeña oxide mill, is shown below. The alternative operating scenario would require the construction of a processing facility on-site, which we do not currently believe is attractive.

The following table shows the estimated mineralized material.

Cutoff AuEq g/t	Tonnes (M)	Au g/t	Ag g/t
0.83	0.4	3.3	11

- (1) Cutoff grade and Au equivalent calculated using metal prices of \$1,220 and \$17 per troy ounce of Au and Ag, recoveries of 77% and 90% Au and Ag.
- (2) The mineralized material estimate has been pit shell constrained using the Lerch Grossman algorithm with inputs of \$7.50 mining, \$10 trucking, and \$20 processing costs per tonne. A breakeven cutoff including trucking and processing costs per block was applied to a block model within the optimized shell.

See “*Cautionary Statement Regarding Mineralized Material*” below.

Mine Plan and Metallurgy

In April 2020 we announced the completion of a Preliminary Economic Assessment (“PEA”) for the project. The PEA calls for an open pit mining operation with material transported to our Velardeña oxide plant. In August 2020, we completed a 35-hole 1400 meter drilling program to further verify the continuity of the high-grade core of the deposit. The results of this program have enabled us to finalize the initial start-up mine plan and have also provided further metallurgical data in order to confirm recovery assumptions and enable the appropriate setup of the oxide plant. Results from the drilling program were slightly better than the assumptions that were used in the PEA.

The PEA utilized metallurgical results from initial test work conducted in 2017, which confirmed good gold and silver metallurgical recoveries for milled material. Bottle roll cyanide leach testing of the high-grade samples conducted in 2017 resulted in gold extractions of 80 to 86 percent. Silver extractions ranged from 72 to 76 percent for all tests. Initial test work also indicated that the material is not suitable for gold and silver recovery by heap leaching. The results of metallurgical testing conducted during 2020 using samples obtained in the recently completed drilling program revealed the need for an additional regrind circuit in the oxide plant and a finer grind size to attain recoveries projected in the PEA. In the 2020 metallurgical testing, gold extractions averaged approximately 85 percent assuming a grind size of 80 percent passing 325 mesh. The potential need for a regrind circuit due to the harder characteristics of the Rodeo mined material was anticipated in the PEA and the estimated \$600,000 capital cost of the regrind circuit was already included in the total estimated \$1.5 million of capital, pre-production drilling and other assessment activities, mining costs, working capital and other start-up related costs reflected in the PEA.

Certain Laws Affecting Mining in Mexico

Our current and proposed operations at the Rodeo project are subject to a variety of laws affecting mining operations in Mexico. For a discussion of these laws, see “*Business and Properties – Velardeña Properties - Certain Laws Affecting Mining in Mexico*” in our Form 10-K for the fiscal year ended December 31, 2019.

Taxes

For a discussion of the taxes that apply generally to mining projects in Mexico, see “*Business and Properties – Velardeña Properties – Taxes in Mexico*” in our Form 10-K for the fiscal year ended December 31, 2019.

Recent Activities and Operating Plans

We continue to advance our plans to begin mining operations at the Rodeo property with processing of mined material in our oxide plant beginning in the first quarter of 2021. We have submitted applications to SEMARNAT, the environmental protection agency in Mexico, for the necessary permits to allow us to commence mining at the project. We currently expect to receive the required permits near the end of 2020; however, there can be no assurance that the permits will be issued on this timeline.

Hiring of additional key mine and plant supervision is also underway to support the plant operating workforce already in place under the oxide plant lease with Hecla. Following the termination of the Hecla lease on November 30, 2020, our existing oxide plant workforce is expected to transition to and begin preparing the plant to receive mined material from Rodeo. We plan to enter into a contract mining agreement with a regional contractor to perform mine excavation work, while we will provide overall mine management and engineering, which includes in-pit technicians who will determine whether material is suitable for process or placement on the waste dump. We also plan to enter into an agreement with another regional contractor for haulage of mined material to the oxide plant. Our assay lab, located in Velardeña, Durango, will be used for the project’s assaying requirements.

We anticipate that mining at the Rodeo project can commence promptly following receipt of necessary government approvals, which are currently anticipated near the end of 2020. If necessary, we may elect to stockpile mined material if the oxide plant is not yet prepared to accept mined material from the Rodeo project. Following a 2-3 month start-up period, daily throughput in the oxide plant is now estimated to be approximately 450 tonnes per day, slightly lower than the 480 tonnes per day in the PEA due to the added regrind circuit, as discussed above. The mine life at the lower throughput level is estimated to be approximately ten quarters (2.5 years).

We currently anticipate that the oxide plant would be prepared to commence milling and processing operations to produce doré in the first quarter of 2021. As outlined in the PEA, the doré produced is expected to be comprised of approximately 25 percent gold and 65 to 70 percent silver and to be of a quality that is readily marketable and saleable to refineries located either in Mexico or internationally, consistent with standard commercial terms.

As described in the PEA, we estimate that we will spend approximately \$1.5 million on capital, working capital and other pre-production costs prior to the receipt of revenue from the Rodeo mine, which we currently anticipate may be in the first quarter of 2021.

If we are successful in commencing processing of mined material from Rodeo in the first quarter of 2021, we anticipate total payable production from Rodeo will be approximately as shown below:

Year	Tonnes Produced	Ag (oz)	Au (oz)
2021	148,000	43,700	13,200
2022	162,000	47,800	14,400
2023	104,000	30,600	9,200

Using an assumed gold price of \$1,887/oz and an assumed silver price of \$23.73/oz (which were the London Fix PM prices on September 30, 2020, as reported by Kitco), estimated after-tax cash flow from production at the Rodeo project is shown below:

Year	Estimated After-tax Cash Flow
2020	-\$1.3 million
2021	\$12.6 million
2022	\$14.5 million
2023	\$9.5 million

The estimates shown above are preliminary in nature and are based primarily on the assumptions described in the PEA adjusted slightly to reflect the results of the recently completed drilling program and metallurgical testing and the proposed contract mining and hauling contracts (as noted above). Actual results from production at Rodeo may vary significantly based upon, among other things, unanticipated variations in grade, unexpected challenges associated with our proposed mining plan, volatility in commodity prices, variations in expected recoveries, increases in projected operating or capital costs or delays in commencement of or interruptions in production.

Cautionary Statement Regarding Mineralized Material Estimates and Estimated Production at Rodeo

We have not established proven or probable reserves, as defined by the SEC under Industry Guide 7 or Canadian securities regulators, at the Rodeo project. In order to establish proven reserves under SEC Industry Guide 7, we would be required to prepare a final, “bankable” feasibility study. Due to the size of the Rodeo deposit and the relatively short anticipated mine life, we do not believe it is necessary to incur the expense and delay involved in preparing a bankable feasibility study in order to bring the Rodeo project into production. As a result, despite the fact that we have undertaken confirmatory drilling to provide additional certainty regarding the Rodeo deposit, there is an increased uncertainty and risk that may result in economic and technical failure which may adversely impact our future profitability. The production and after-tax cash flow estimates provided above are based in part on the mineralized material estimate. Therefore, because the estimate does not constitute proven reserves under SEC Industry Guide 7, the production and after-tax cash flow estimates which are derived therefrom are inherently more uncertain than would otherwise be the case if the Rodeo project were supported by a bankable feasibility study and estimate of proven reserves established in accordance with Industry Guide 7.

“Mineralized material” as used above, although permissible under the United States Securities and Exchange Commission’s (“SEC”) Industry Guide 7, does not indicate “reserves” by SEC standards. In addition, in the above disclosure we 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 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.

During the nine months ended September 30, 2020, Hecla processed approximately 95,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$4.6 million, comprised of approximately \$3.0 million for direct plant charges and fixed fees and approximately \$1.6 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 \$1.6 million of reimbursable costs are also reported as plant lease costs, resulting in net operating margin of approximately \$3.0 million for the nine months ended September 30, 2020.

On October 1, 2018, 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. On December 2, 2019 we entered into an additional amendment of the lease agreement with Hecla to reduce the per tonne fee payable by Hecla for the duration of the lease term, commencing on January 1, 2020, from \$22.00 per tonne to \$11.00 per tonne, however, the per tonne fee reverts back to \$22 per tonne for any month in which either of the following conditions are met: (1) the Comex daily silver spot closing average price for such month is \$20.00 per ounce or greater, or (2) the mill head grade average from the metallurgical balance for such month is 1,000 grams per ton equivalent silver head grade or greater. If either condition is met in any month, Hecla will pay the higher fee of \$22.00 per tonne on all amounts processed in the oxide plant during such month. The reduced fee only applies to the tonnage-based payments under the lease agreement; the monthly lease payment of \$125,000 per month is not affected by the amendment. The Comex daily silver spot closing average price exceeded \$20.00 in each of July, August and September 2020, therefore, we received the higher \$22.00 per tonne fee for those months.

On July 7, 2020 the Company received notification from Hecla terminating the lease agreement effective November 30, 2020. We expect Hecla to continue to process material at approximately 400 tonnes per day during the remainder of the agreement through November 30, 2020, which would generate a net operating margin to us, net of reimbursable costs, of approximately \$3.4 million for the year ended December 31, 2020, assuming the Comex daily silver spot closing average price remains above \$20.00 through the end of the lease. The actual net operating margin received from the oxide plant may be negatively impacted if further interruptions due to COVID-19 occur. See Note 7 and Note 19 for a full description of the lease agreement with Hecla.

El Quevar

On April 9, 2020, we entered into the Earn-In Agreement with Barrick, pursuant to which Barrick has acquired an option to earn a 70% interest in the Company's El Quevar project located in the Salta Province of Argentina.

Pursuant to the terms of the Earn-In Agreement, in order to earn an undivided 70% interest in the El Quevar project, Barrick must: (A) incur a total of \$10 million in work expenditures over a total of eight years (\$0.5 million per year in years one and two, \$1.0 million per year in years three, four and five, and \$2.0 million per year in years six, seven and eight); (B) deliver to the Company a National Instrument 43-101 compliant pre-feasibility study pursuant to the parameters set forth in the Earn-In Agreement; and (C) deliver a written notice to exercise the Option to us within the term of the Earn-In Agreement. Barrick may withdraw from the Earn-In Agreement at any time after spending a minimum of \$1.0 million in work expenditures and upon providing us with 30 days' notice.

We will form a new entity ("NewCo") that will hold the El Quevar properties. Upon satisfaction of the earn-in conditions and exercise of the Option, NewCo will be 70% owned by Barrick and 30% owned by us. Funding of NewCo will be based on Barrick's and our respective ownership, and industry standard dilution mechanisms will apply in the case of funding shortfalls by either shareholder.

During the earn-in period, in addition to the exploration spending, Barrick will fund the holding costs of the property, which will qualify as work expenditures. Barrick will reimburse us for expenses related to maintaining the exploration camp which will initially be run by us under a service agreement, which will also qualify as work expenditures. Through September 30, 2020, we have determined that approximately \$0.2 million of expenses incurred by us are reimbursable under the Earn-In Agreement.

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, mining 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 prompted us to pursue the preparation of an updated preliminary economic assessment (PEA). On April 2, 2020 we announced positive results from the updated PEA. The updated PEA was prepared to incorporate new and updated elements of the project database, mine plan and processing plan, most notably the inclusion of bio-oxidation treatment of gold concentrates. In late 2019, we obtained successful results from testing Velardeña gold concentrate material using Finnish firm Outotec's "BIOX" process, a unique and sustainable technology that was developed to pre-treat refractory ores and concentrates ahead of conventional cyanide leaching. The gold in these types of mineralized materials, such as those found at Velardeña, is encapsulated in pyrite and arsenopyrite which prevents the gold from being successfully cyanide leached. BIOX utilizes bacteria to oxidize these sulfide minerals, thereby exposing the gold for subsequent cyanide leaching and increasing overall gold recoveries. The 2019 BIOX testing of Velardeña material achieved gold recoveries of 92% from the pyrite-arsenopyrite concentrate, compared to sub-30% gold recoveries realized when the Velardeña Properties last operated in 2015. In the coming months, we plan to continue to optimize the mine plan and processing details in preparation for future test-mining and processing in advance of establishing a definite schedule for restarting commercial production at the Velardeña mines and the installation of the bio-oxidation circuit. No development decision has been made regarding a potential restart of the Velardeña mines.

Santa Maria

On July 14, 2020, we entered into a binding letter of intent ("Letter of Intent") with Fabled Copper Corp. ("Fabled") for a potential transaction pursuant to which Fabled would acquire our option to earn a 100% interest in the Santa Maria mining claims located in Chihuahua, Mexico (the "Option"). The Letter of Intent provides that entry into a definitive agreement regarding the Option (the "Definitive Agreement") is subject to, among other contingencies, (i) a 10 business-day period during which Fabled will conduct its due diligence, (ii) the ability of Fabled to secure financing of not less than CAD\$4,000,000, and (iii) acceptance by the TSX Venture Exchange of the proposed transaction.

As consideration for the Option, Fabled will (i) pay us \$500,000 in cash upon closing and will issue us 1,000,000 shares of Fabled's common stock; (ii) pay us \$1,500,000 in cash on the one year anniversary date following the closing; (iii) pay us \$2,000,000 in cash on the two year anniversary date following the closing; and (iv) upon exercise of the Option, grant us a 1% net smelter return royalty on the Santa Maria and Punto Com concessions.

The Letter of Intent contains standard representations, warranties, covenants, and other terms customary in similar transactions. We and Fabled agreed to use our commercially reasonable best efforts to enter into the Definitive Agreement on or before August 12, 2020 and prepare all necessary documentation and apply for and obtain TSX Venture Exchange approval and all other consents, orders or approvals as required or desirable to complete the potential transaction regarding the Option. The time limit for completing the definitive option agreement was subsequently extended to December 15, 2020. None of the consideration described above is payable until the definitive agreement is executed. None of the consideration described above is payable until the definitive agreement is executed and the TSX Venture Exchange has approved the proposed transaction on behalf of Fabled.

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 completed surface exploration activities on the project in late 2019, including mapping and geochemical sampling to identify drill targets. Based on this work and after securing drill permits, we initiated a drill program in the first quarter 2020. In March we completed the initial drill program of approximately 1800 meters in 4 diamond drill holes. The drill holes were placed to target surface geochemical and geophysical anomalies associated with epithermal veining observed in outcrops. Drill holes tested the two principal epithermal vein target areas on the property, the DeLong Canyon target and the Sand Canyon target. The drill hole collared to test the DeLong Canyon target did not encounter any veins or significant anomalous geochemical values. Interpretation shows that a fault offset likely caused the drill hole to miss the vein system as projected from surface. The three drill holes collared to test the veins and anomalies in the Sand Canyon target area all intersected narrow vein and breccia structures with low anomalous values of Ag, As, Sb, and Mo. No potentially economic concentrations of precious metals were encountered in any of the four drill holes. Plans for further testing of the mineralized system are being considered. In the first year of exploration at Sand Canyon, we spent \$1.6 million toward the \$2.5 million earn-in requirement, fulfilling the first and second year minimum expenditures and the minimum drill commitment.

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 Niña 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. In September 2020 we began a drill program to test the most promising portions of the veins.

Public offering

On July 21, 2020, we entered into an Amended and Restated Underwriting Agreement (the “Underwriting Agreement”) with H.C. Wainwright & Co., LLC as representative of the underwriters named in Schedule I thereto (the “Underwriters”), providing for the issuance and sale by us in a firm commitment offering (the “Offering”) of 17,857,143 shares of common stock at a price to the public of \$0.42 per share (the “Offering Shares”). In addition, we granted the Underwriters an option to purchase, at the public offering price per share of common stock, up to an additional 2,678,571 shares of common stock, exercisable for 30 days from the date of the Underwriting Agreement (the “Option Shares”). The Offering Shares and Option Shares were registered pursuant to our registration statement on Form S-3 (File No. 333-220461), and a prospectus supplement thereto filed with the Securities and Exchange Commission. On July 24, 2020, the Underwriters acquired the Offering Shares and the full amount of the Option Shares from us. After the underwriting discount of 6% and total offering expenses of approximately \$155,000 we received net proceeds of approximately \$8.0 million from the sale of the Offering Shares and the Option Shares. We intend to use the proceeds from the Offering for working capital requirements and general corporate purposes.

In connection with the Offering, the Company, its directors, executive officers, and certain stockholders, subject to certain exceptions, agreed to not sell or transfer any shares of common stock or securities convertible into, or exchangeable or exercisable for, the Company’s shares of common stock during a period ending 90 days after the closing of the Offering. This includes the Company’s use of the LPC Program and the ATM Program.

Offering and private placement transaction

On April 20, 2020, we entered into a securities purchase agreement with certain institutional investors providing for the issuance and sale of 15,000,000 shares of our common stock at a price of \$0.20 per share, and in a concurrent private placement transaction, the issuance of 11,250,000 warrants, ultimately consisting of 7,500,000 series A warrants and

3,750,000 series B warrants, to purchase up to 11,250,000 shares of our common stock at an exercise price of \$0.30 per share, for aggregate gross proceeds of \$3.0 million. The securities purchase agreement contains customary representations, warranties and covenants, in addition to granting the investors the right to collectively participate in up to 50% of any future offerings of securities by the Company on the same terms as other investors, other than certain “exempt issuances” and “permitted sales” as defined therein, until the first anniversary of the closing date of the offering.

Each Warrant is exercisable six months from April 22, 2020, the date of issuance, and has a term expiring five years after such initial exercise date. The Warrants contain so-called full-ratchet anti-dilution provisions which may be triggered upon any future issuance by the Company of shares of its common stock or common stock equivalents at a per share price below the then-exercise price of the Warrant, subject to certain exceptions; provided, however, that with respect to the Series B warrants, the adjusted exercise price will not be less than \$0.26.

Total costs for the offering were approximately \$290,000, including the placement agent fee of six percent of the aggregate gross proceeds, except, however, that a reduced fee was accepted with respect to one investor.

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, 2020 to the results from operations for the three and nine months ended September 30, 2019.

Three Months Ended September 30, 2020

Revenue from oxide plant lease. We recorded revenue of \$2.1 million and \$1.9 million during three-month periods ended September 30, 2020 and 2019, respectively, related to the lease of our Velardeña oxide plant to a third party. The increase in revenue during 2020 is primarily related to an increase in throughput during the period.

Oxide plant lease costs. We recorded \$0.6 million of costs related to the oxide plant lease during each of the three-month periods ended September 30, 2020 and 2019. 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 Sand Canyon, Rodeo and other properties, property holding costs and allocated administrative expenses, totaled \$1.2 million and \$0.9 million for the three months ended September 30, 2020 and September 30, 2019, respectively. The higher exploration expense for 2020 is primarily related to increased exploration at our Rodeo project in Mexico during the period.

Velardeña care and maintenance costs. We recorded \$0.2 million and \$0.4 million for the three-month periods ended September 30, 2020 and 2019, respectively, for expenses related to care and maintenance at our Velardeña Properties as the result of the suspension of mining and processing activities in November 2015. The reduced costs for 2020 are primarily the result of cost reduction initiatives and the allocation of a portion of personnel costs at the Velardeña Properties in support of activities at the Rodeo project.

El Quevar project expense. We incurred \$0.1 million and \$0.6 million for the three-month periods ended September 30, 2020 and September 30, 2019, respectively related to holding and evaluation costs for the Yachtché deposit at our El Quevar project in Argentina. During the three months ended September 30, 2020, approximately \$0.1 million of costs actually incurred are anticipated to be reimbursed by Barrick, as discussed above. In addition, the 2019 costs are greater due to a drilling program which began in March 2019.

Administrative expense. Administrative expenses totaled \$0.9 million for the three months ended September 30, 2020. 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 \$0.9 million of administrative expenses we incurred during the three months of 2020 is comprised of \$0.2 million of employee compensation and directors’ fees, \$0.4 million of professional fees and \$0.3 million of insurance, rents, travel expenses, utilities and other office costs. Administrative expenses totaled \$0.7 million for the three months ended September 30, 2019. 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. Expenses were higher in the 2020 period due primarily to increased legal fees and information technology costs associated with server and software upgrades.

Stock based compensation. During each of the three months ended September 30, 2020 and September 30, 2019 we incurred approximately \$0.1 million 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 three months ended September 30, 2020 and September 30, 2019 we incurred approximately \$0.1 million of reclamation expense related to the accretion of an asset retirement obligation at the Velardeña Properties.

Other operating (expense) income, net. We recorded a nominal amount of other operating expense for the three months ended September 30, 2020, primarily related to the sale of equipment in Argentina. We recorded a nominal amount of other operating income for the three months ended September 30, 2019, related primarily the sale of property in Peru.

Depreciation, depletion and amortization. During both three-month periods ended September 30, 2020 and September 30, 2019 we incurred depreciation, depletion and amortization expense of approximately \$0.2 million and \$0.3 million, respectively.

Interest and other expense, net. We recorded a nominal amount of interest and other expense, net for both the three-month periods ended September 30, 2020 and September 30, 2019, primarily related to interest accrued during the period on the Autlán refundable deposit.

Gain (Loss) on foreign currency. We recorded a nominal foreign currency loss for both the three months ended September 30, 2020 and September 30, 2019. 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 nominal amount of income tax expense for each of the three months ended September 30, 2020 and September 30, 2019.

Nine Months Ended September 30, 2020

Revenue from oxide plant lease. We recorded revenue of \$4.6 million and \$5.9 million during the nine-month periods ended September 30, 2020 and 2019, respectively, related to the lease of our Velardeña oxide plant to a third party. The decrease in revenue during 2020 is primarily related to a reduction in the per tonne processing fees during the first six months of 2020 relating to the Third Amendment to the Hecla lease as discussed in Note 19 in the accompanying financial statements. In addition, during 2020 we experienced a temporary shutdown of operations during portions of April and May 2020 related to COVID-19 restrictions mandated by the Mexican government.

Oxide plant lease costs. We recorded \$1.6 million and \$1.8 million of costs related to the oxide plant lease during the nine-month periods ended September 30, 2020 and 2019, 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 Sand Canyon, Rodeo and other properties, property holding costs and allocated administrative expenses, totaled \$3.7 million and \$3.1 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. The increase in exploration expense for 2020 is primarily related to a drilling program at our Sand Canyon project in Nevada during the first quarter 2020 and an increase in exploration at our Rodeo project during the third quarter 2020.

El Quevar project expense. For the nine months ended September 30, 2020 and September 30, 2019, we incurred \$0.6 million and \$1.6 million, respectively related to holding and evaluation costs for the Yaxché deposit at our El Quevar project in Argentina. During the nine months ended September 30, 2020 approximately \$0.2 million of costs actually incurred are expected to be reimbursed by Barrick, as discussed above. The 2019 costs are also greater due to a drilling program at the El Quevar project during 2019.

Velardeña care and maintenance costs. We recorded \$0.9 million and \$1.4 million for the nine months ended September 30, 2020 and 2019, respectively, 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. The reduced costs for 2020 are primarily related to the temporary shutdown of operations during a portion of April and May 2020 related to COVID-19, cost reduction initiatives and the allocation of a portion of personnel costs at the Velardeña Properties in support of activities at the Rodeo project.

Administrative expense. Administrative expenses totaled \$2.8 million for each of the nine months ended September 30, 2020 and September 30, 2019. 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 2020 is comprised of \$0.9 million of employee compensation and directors' fees, \$1.0 million of professional fees and \$0.9 million of insurance, rents, travel expenses, utilities and other office costs. The \$2.8 million of administrative expenses we incurred during the first 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.

Stock based compensation. During the nine months ended September 30, 2020 and 2019 we incurred approximately \$0.8 million and \$0.7 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, 2020 and 2019 we incurred approximately \$0.2 million of reclamation expense related to the accretion of an asset retirement obligation at the Velardeña Properties.

Other operating (expense) income, net. We recorded \$0.1 million of other operating expense for the nine months ended September 30, 2020, related to the write off of a non-strategic exploration property in Mexico. 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.

Depreciation, depletion and amortization. During both the nine months ended September 30, 2020 and September 30, 2019 we incurred depreciation, depletion and amortization expense of \$0.8 million.

Interest and other expense, net. We recorded \$0.1 million of interest and other expense, net for the nine months ended September 30, 2020, primarily related to interest accrued during the period on the Sentient loan and Autlán deposit. 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.

Gain (Loss) on foreign currency. We recorded a \$0.1 million and \$0.1 million foreign currency loss for the nine months ended September 30, 2020 and September 30, 2019, respectively. 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 nominal amount of income tax expense for each of the nine months ended September 30, 2020 and September 30, 2019.

Liquidity, Capital Resources and Going Concern

At September 30, 2020, our aggregate cash and cash equivalents totaled \$8.7 million, compared to the \$4.6 million in similar assets held at December 31, 2019. The September 30, 2020 balance is due in part from the following expenditures and cash inflows for the nine months ended September 30, 2020. Expenditures totaled \$10.9 million from the following:

- \$0.6 million in pre-production drilling and other assessment activities, capital expenditures and other start-up related costs to advance our plans to begin mining operations at the Rodeo property,
- \$3.1 million for other exploration expenditures, including work at Sand Canyon, Yoquivo and other properties;

- \$0.9 million in care and maintenance costs at the Velardeña Properties;
- \$0.6 million in exploration and evaluation activities, care and maintenance and property holding costs at the El Quevar project;
- \$2.8 million in general and administrative expenses;
- \$1.3 million related to repayment of the Autlán deposit, including interest; and
- \$0.3 million in Canadian income tax payments (Note 17), \$0.4 million related to the remittance of value added taxes in Mexico collected previously in the fourth quarter 2019, and \$0.9 million related to a net working capital increase primarily from a reduction of accounts payable and other accrued liabilities.

The foregoing expenditures were offset by cash inflows of \$15.0 million from the following:

- \$8.0 million, net of transaction costs, related to a public offering in July 2020 (as further described in Note 18),
- \$2.7 million, net of transaction costs, related to an equity offering and private placement in April 2020 (as further described in Note 18),
- \$0.9 million, net of transaction costs, related to a private placement transaction involving Barrick (as further described in Note 18),
- \$3.0 million of net operating margin received pursuant to the oxide plant lease (defined as oxide plant lease revenue less oxide plant lease costs); and
- \$0.4 million, net of commitment fees and other offering related costs, from the LPC Program and the ATM Program (both as described in Note 18).

Our budgeted expenditures, totaling approximately \$8.1 million, during the twelve months ending September 30, 2021 are as follows:

- Approximately \$0.9 million on pre-production activities, capital expenditures, working capital and other start-up related activities ahead of the projected receipt of revenues from the processing of mined material from the Rodeo property in the first quarter of 2021,
- Approximately \$2.5 million on evaluation activities, exploration and property holding costs related to our portfolio of exploration properties located in Mexico, Nevada and Argentina, including El Quevar, Yoquivo and other properties;
- Approximately \$0.8 million at the Velardeña Properties for care and maintenance;
- Approximately \$3.2 million on general and administrative costs; and
- Approximately \$0.7 million related to a net increase in working capital, primarily for inventories and receivables associated with the Rodeo property following the projected start-up of the processing of mined material in our oxide plant beginning in the first quarter of 2021.

In addition to the \$8.7 million cash balance at September 30, 2020, we project cash inflows to total \$11.6 million over the next twelve months ending September 30, 2021 as follows:

- Approximately \$9.5 million in net operating margin from the Rodeo property (defined as revenues less costs of sales) from production beginning in the first quarter 2021, assuming an average gold and silver price during that period of \$1,887 and \$23.73, respectively,

- Approximately \$0.8 million in October 2020 from the exercise of 2.5 million Series A warrants issued in the April 2020 Offering;
- Approximately \$0.8 million in net operating margin from the Hecla lease prior to termination of the lease on November 30, 2020; and
- \$0.5 million in the fourth quarter 2020 relating to the sale of the Santa Maria project to Fabled Copper, as further described above.

The actual net operating margin received from the Hecla lease or operations at the Rodeo property could be negatively impacted if further interruptions due to COVID-19 occur in Mexico. Our currently projected inflows of cash through the period ended September 30, 2021, as noted above, of approximately \$11.6 million together with the \$8.7 million cash balance at September 30, 2020, are greater than our budgeted expenditures of approximately \$8.1 million during the period. The actual amount of cash expenditures that we incur during the twelve-month period ending September 30, 2021 may vary significantly from the amounts specified above and will depend on a number of factors, including variations in the anticipated development costs and the timing of start-up of processing activities at our Rodeo project, 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. Likewise, the actual amount of cash receipts that we receive during the period may vary from the amounts specified above due to, among other things (i) unanticipated variations in grade, unexpected challenges associated with our proposed mining plan, decreases in commodity prices below those used in calculating the estimates shown above, variations in expected recoveries, or delays in commencement of or interruptions in production at Rodeo, (ii) decreases in gold and silver prices affecting net operating margins for the Hecla lease, (iii) a decrease in the quantity of material processed under the oxide plant lease, or (iv) the failure to receive the proceeds from the sale of the Santa Maria project. If cash expenditures are greater than anticipated or if cash receipts are less than anticipated, we may need to take certain actions to maintain sufficient cash balances over the next twelve months, including drawing down current cash balances, additional asset dispositions or raising additional equity capital through sales under the ATM Program, the LPC Program or otherwise. Our ability to use our ATM Program is currently limited due to a lack of availability under our shelf registration statement due to limitations imposed under SEC rules for public companies with a public float of less than \$75 million. Therefore, there can be no assurance that the ATM Program will be available for use if we desire to access it.

The condensed 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 our 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 condensed consolidated financial statements are dependent on our ability to generate positive cash flows from operations and to continue to fund exploration and development activities that would lead to profitable mining and processing 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 mining and processing activities or securing additional funding in the future on terms acceptable to us or at all. We believe the cash on hand, anticipated positive net operating margins from the Rodeo property, the continuing cash flow from the lease of the oxide plant through November 30, 2020, sale of the Santa Maria property, and the potential 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 condensed consolidated financial statements for the period ended September 30, 2020.

Recent Accounting Pronouncements

During the first quarter 2020 we adopted ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 modifies the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the more timely recognition of losses. As our principle credit risk is related to its Lease Receivables the adoption of this update did not result in a material impact on our consolidated financial position or results of operations.

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.

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: (i) the Rodeo project, including anticipated timing and impact of future mining activities, the timing of government approvals, anticipated capital requirements, the expected composition of doré produced at the site, the projected future payable production and the projected future cash flow from production, (ii) our plans, expectations and assumptions concerning the Velardeña oxide plant lease, including the expected term and anticipated revenues, (iii) our plans regarding further advancement of the El Quevar project, (iv) our plans for further evaluation of the Velardeña Properties and potential use of the BIOX processing method, (v) the proposed transaction involving the Santa Maria property, (vi) potential future work at Sand Canyon and Yoquivo, (vii) budgeted expenditures during the twelve months ending September 30, 2021 and anticipated cash inflows, including the amount of cash received as a result of production at Rodeo, the potential for future asset dispositions or sales of equity securities, and the expected need for external financing, and (viii) 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:

- Timing duration and overall impact of the COVID-19 pandemic, including potential future suspension of activities at Rodeo or the Velardeña Properties (including operations at the oxide plant lease) in the event of future orders of the Mexican Federal Government;
- Deviations from the projected timing and amount of estimated production at Rodeo due to unanticipated variations in grade, unexpected challenges associated with our proposed mining plan, volatility in commodity prices, variations in expected recoveries, increases in projected operating or capital costs or delays in commencement of or interruptions in production;
- 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 (including but not limited to the temporary shutdown of mining activities in Mexico), 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;
- Risks related to the El Quevar project in Argentina, including unfavorable results from our evaluation activities and whether the option with respect to the El Quevar project is exercised pursuant to the terms of the Earn-In Agreement;
- 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, Yoquivo, Sand Canyon or other exploration properties and whether we will be able to advance these or other exploration properties;
- The Rodeo project, including assumptions and projections contained in the Rodeo PEA (including life of mine and production expectations), and our plans regarding further advancement of 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, 2019.

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 nine months of 2020, 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, 2020, (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

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, 2020 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, 2019 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

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 5, 2020

By: /s/ Warren M. Rehn

Warren M. Rehn

President and Chief Executive Officer

Date: November 5, 2020

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 5, 2020

/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 5, 2020

/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, 2020 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 5, 2020

/s/ Robert P. Vogels

Robert P. Vogels
Senior Vice President and Chief Financial Officer
November 5, 2020
