

**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 MARCH 31, 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 May 5, 2020, 128,176,938 shares of common stock, \$0.01 par value per share, were issued and outstanding.

GOLDEN MINERALS COMPANY
FORM 10-Q
QUARTER ENDED March 31, 2020

INDEX

	<u>PAGE</u>
<u>PART I – FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (Unaudited)</u>	3
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	24
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	32
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	33
<u>PART II – OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	34
<u>ITEM 1A. RISK FACTORS</u>	34
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	34
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	34
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	34
<u>ITEM 5. OTHER INFORMATION.</u>	34
<u>ITEM 6. EXHIBITS</u>	35
<u>SIGNATURES</u>	36

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2020	December 31, 2019
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents (Note 6)	\$ 2,212	\$ 4,593
Lease receivables	311	448
Inventories, net (Note 9)	178	231
Derivative at fair value (Note 8)	39	254
Prepaid expenses and other assets (Note 7)	754	669
Total current assets	3,494	6,195
Property, plant and equipment, net (Note 11)	5,835	6,031
Other long term assets (Note 12)	906	1,131
Total assets	<u>\$ 10,235</u>	<u>\$ 13,357</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and other accrued liabilities (Note 13)	\$ 1,559	\$ 2,127
Deferred revenue, current (Note 20)	354	472
Debt - related party (Note 14)	1,000	—
Other current liabilities (Note 15)	1,150	1,824
Total current liabilities	4,063	4,423
Asset retirement and reclamation liabilities (Note 16)	2,979	2,839
Other long term liabilities (Note 15)	437	494
Total liabilities	7,479	7,756
Commitments and contingencies (Note 23)		
Equity (Note 19)		
Common stock, \$.01 par value, 200,000,000 shares authorized; 108,457,731 and 106,734,279 shares issued and outstanding respectively	1,084	1,067
Additional paid in capital	521,788	521,314
Accumulated deficit	(520,116)	(516,780)
Shareholders' equity	2,756	5,601
Total liabilities and equity	<u>\$ 10,235</u>	<u>\$ 13,357</u>

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

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

	Three Months Ended	
	March 31,	
	2020	2019
	(in thousands except per share data)	
Revenue:		
Oxide plant lease (Note 20)	\$ 1,196	\$ 1,932
Total revenue	1,196	1,932
Costs and expenses:		
Oxide plant lease costs (Note 20)	(564)	(597)
Exploration expense	(1,631)	(855)
El Quevar project expense	(248)	(315)
Velardeña care and maintenance costs	(463)	(517)
Administrative expense	(1,163)	(1,074)
Stock based compensation	(52)	(564)
Reclamation expense	(59)	(59)
Other operating income, net	4	108
Depreciation and amortization	(279)	(274)
Total costs and expenses	(4,455)	(4,147)
Loss from operations	(3,259)	(2,215)
Other expense:		
Interest and other expense, net (Note 21)	(27)	(98)
Loss on foreign currency	(50)	(38)
Total other loss	(77)	(136)
Loss from operations before income taxes	(3,336)	(2,351)
Income taxes (Note 18)	—	—
Net loss	\$ (3,336)	\$ (2,351)
Net loss per common share — basic		
Loss	\$ (0.03)	\$ (0.02)
Weighted average Common Stock outstanding - basic (1)	107,247,298	95,755,304

(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)

	Three Months Ended	
	March 31,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net cash used in operating activities (Note 22)	\$ (3,819)	\$ (1,407)
Cash flows from investing activities:		
Proceeds from sale of assets	—	39
Acquisitions of property, plant and equipment	(1)	(25)
Net cash provided by (used in) investing activities	\$ (1)	\$ 14
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	439	337
Proceeds from related party loan	1,000	—
Net cash from financing activities	\$ 1,439	\$ 337
Net decrease in cash and cash equivalents	(2,381)	(1,056)
Cash and cash equivalents, beginning of period	4,593	3,293
Cash and cash equivalents, end of period	\$ 2,212	\$ 2,237

See Note 22 for supplemental cash flow information.

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

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Equity
	Shares	Amount			
	(in thousands except share data)				
Balance, December 31, 2018	95,620,796	\$ 955	\$ 517,806	\$ (511,124)	\$ 7,637
Stock compensation accrued (Note 19)	—	—	337	—	337
Modification of previously awarded KELTIP Units (Note 19)	—	—	583	—	583
Shares issued under the at-the-market offering agreement, net (Note 19)	33,995	1	11	—	12
Shares issued under the Lincoln Park commitment purchase agreement, net (Note 19)	1,213,642	12	313	—	325
Net loss	—	—	—	(2,351)	(2,351)
Balance, March 31, 2019	96,868,433	\$ 968	\$ 519,050	\$ (513,475)	\$ 6,543
Adjustment related to correction of immaterial error (Note 3)	—	—	—	(267)	(267)
Adjusted Balance, March 31, 2019	96,868,433	968	519,050	(513,742)	6,276
Balance, December 31, 2019	106,734,279	\$ 1,067	\$ 521,314	\$ (516,780)	\$ 5,601
Stock compensation accrued (Note 19)	—	—	52	—	52
Shares issued under the at-the-market offering agreement, net (Note 19)	823,452	8	215	—	223
Shares issued under the Lincoln Park commitment purchase agreement, net (Note 19)	900,000	9	207	—	216
Net loss	—	—	—	(3,336)	(3,336)
Balance, March 31, 2020	108,457,731	\$ 1,084	\$ 521,788	\$ (520,116)	\$ 2,756

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

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

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

Golden Minerals Company (the “Company”), a Delaware corporation, has prepared these unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). The interim condensed consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, but in the opinion of management, include all adjustments necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year; accordingly, these interim financial statements should be read in conjunction with the annual financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and filed with the SEC on February 27, 2020.

The Company is a mining company, holding a 100% interest in 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 recently announced 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), and a diversified portfolio of precious metals and other mineral exploration properties located primarily in or near historical precious metals producing regions of Mexico, Nevada and Argentina. The Velardeña Properties and the El Quevar advanced exploration property are the Company’s only material properties.

The Company remains focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our 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 20). The employees at the Velardeña Properties also include an exploration group and an operations and administrative group to continue to advance the Company’s plans in Mexico, oversee corporate compliance activities, and to maintain and safeguard the longer-term value of the Velardeña Properties assets.

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

2. Liquidity

At March 31, 2020, the Company’s aggregate cash and cash equivalents totaled \$2.2 million, compared to the \$4.6 million in similar assets held at December 31, 2019. The March 31, 2020 balance is due in part from the following expenditures and cash inflows for the three months ended March 31, 2020. Expenditures totaled \$4.4 million from the following:

- \$1.6 million in exploration expenditures, including work at Rodeo, Sand Canyon and other properties;

- \$0.5 million in care and maintenance costs at the Velardeña Properties;
- \$0.2 million in exploration and evaluation activities, care and maintenance and property holding costs at the El Quevar project;
- \$1.2 million in general and administrative expenses; and
- \$0.3 million in Canadian income tax payments (Note 18), \$0.4 million related to the remittance of value added taxes in Mexico collected in the fourth quarter 2019, and \$0.2 million related to a working capital increase primarily from a reduction of accounts payable and other accrued liabilities.

The foregoing expenditures were offset by cash inflows of \$2.0 million from the following:

- \$1.0 million in an unsecured loan received from a related party (Note 14);
- \$0.6 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 19).

In addition to the \$2.2 million cash balance at March 31, 2020, in April 2020, the Company entered into the Earn-In Agreement with Barrick and received \$0.9 million, net of transaction costs, related to a private placement transaction whereby Barrick received approximately 4.7 million shares of the Company's common stock (as further described in Note 26). Also in April 2020, the Company closed on an equity offering and private placement (as further described in Note 26), which resulted in the receipt of approximately \$2.8 million in proceeds, net of transaction costs. The Company also expects to receive an additional approximately \$2.1 million in net operating margin from the lease of the oxide plant through the end of 2020, although the actual net operating margin received from the oxide plant may be negatively impacted if interruptions due to COVID-19 persist longer than currently anticipated. The Company's budgeted expenditures, totaling approximately \$9.0 million, during the next twelve months ending March 31, 2021 are as follows:

- Approximately \$2.2 million on evaluation activities, exploration and property holding costs related to the Company's portfolio of exploration properties located in Mexico, Nevada and Argentina, including costs at Rodeo, El Quevar, Sand Canyon, Yoquivo and other properties;
- Approximately \$1.5 million at the Velardeña Properties for care and maintenance;
- \$1.0 million related to the repayment of a related party loan (Note 14);
- Approximately \$0.7 million for repayment of the Autlán deposit according to the terms of the Agreement (as described in Note 15);
- Approximately \$3.1 million on general and administrative costs; and
- Approximately \$0.5 million related to a decrease in accounts payable and other accrued liabilities.

The Company's currently budgeted expenditures of approximately \$9.0 million are greater than the cash resources of approximately \$8.0 million that are expected to be available during the period. Therefore, during the remainder of 2020 and through March 31, 2021, the Company will take appropriate actions, which may include sales of certain of the Company's exploration assets, reductions to the Company's currently budgeted level of spending, and/or raising additional equity capital through sales under the ATM Program, the LPC Program or otherwise. There are currently 8.1 million shares and 12.2 million shares remaining available for issuance under the ATM Program and LPC Program, respectively.

The actual amount of cash expenditures that the Company incurs during the twelve-month period ending March 31, 2021 may vary significantly from the amounts specified above and will depend on a number of factors, including variations from anticipated care and maintenance costs at the Velardeña Properties and costs for continued exploration, project assessment, and development at the Company's other exploration properties. Likewise, the actual amount of cash receipts

that the Company receives during the period may vary significantly from the amounts specified above due to, among other things, a decrease in the quantity of material processed under the oxide plant lease or an unexpected early termination of the oxide plant lease by the lessee. If cash expenditures are greater than anticipated or if cash receipts are less than anticipated, the Company would need to take more aggressive actions to maintain sufficient cash balances over the next twelve months.

The 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, the Company's continuing long-term operations are dependent upon its ability to secure sufficient funding and to generate future profitable operations. The underlying value and recoverability of the amounts shown as property, plant and equipment in the Company's condensed consolidated financial statements are dependent on its ability to generate positive cash flows from operations and to continue to fund exploration and development activities that would lead to profitable mining activities or to generate proceeds from the disposition of property, plant and equipment.

There can be no assurance that the Company will be successful in generating future profitable operations or securing additional funding in the future on terms acceptable to the Company or at all. The Company believes the cash on hand, the continuing cash flow from the lease of the oxide plant, use of the ATM Program and the LPC Program, and the potential for additional asset dispositions make it probable that the Company will have sufficient cash to meet its financial obligations and continue its business strategy beyond one year from the filing of its condensed consolidated financial statements for the period ended March 31, 2020.

3. Correction of Immaterial Error – Income Taxes

In the third quarter 2019, the Company became aware that it had failed to timely file withholding tax returns and pay taxes that were due at the end of 2017 and 2018 relating to return of capital distributions made to the Company by one of the Company's wholly-owned subsidiaries (see Note 18). 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").

4. 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 5).

5. 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 12) and its office lease liabilities in "*Other liabilities*", short term and long term (Note 15), in the Company's Consolidated Balance Sheets for the periods ended March 31, 2020 and December 31, 2019.

6. Cash and Cash Equivalents and Short-term Investments

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

Credit Risk

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

7. Prepaid Expenses and Other Assets

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

	March 31, 2020	December 31, 2019
	(in thousands)	
Prepaid insurance	\$ 417	\$ 494
Deferred offering costs	129	—
Recoupable deposits and other	208	175
	<u>\$ 754</u>	<u>\$ 669</u>

The deferred offering costs are associated with the ATM Agreement (see Note 19).

8. 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 20, 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 17 for a discussion of the valuation method used to compute the fair value of the derivative). At March 31, 2020 and December 31, 2019, the Company had recorded a “*Derivative at fair value*” asset of approximately \$39,000 and approximately \$254,000, respectively. At March 31, 2020 and December 31, 2019, the Company had also recorded “*Deferred Revenue*” of approximately \$135,000 and \$180,000 on the related to the amended lease agreement. At March 31, 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 \$215,000 related to the change in the fair value of the derivative between the December 31, 2019 and March 31, 2020. During the first quarter 2020, the Company also recognized approximately \$45,000 “*Revenue - plant lease*” on the Company’s Condensed Consolidated Statements of Operations related to the amortization of the deferred revenue.

9. Inventories, net

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

	March 31, 2020	December 31, 2019
	(in thousands)	
Material and supplies	\$ 178	\$ 231
	<u>\$ 178</u>	<u>\$ 231</u>

The material and supplies inventory at March 31, 2020 and December 31, 2019 is reduced by a \$0.2 million obsolescence allowance.

10. 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 March 31, 2020, the Company has also recorded approximately \$35,000 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.

11. Property, Plant and Equipment, Net

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

	March 31, 2020	December 31, 2019
	(in thousands)	
Mineral properties	\$ 9,353	\$ 9,353
Exploration properties	2,518	2,518
Royalty properties	200	200
Buildings	3,755	3,755
Mining equipment and machinery	16,049	16,049
Other furniture and equipment	885	884
Asset retirement cost	948	866
	<u>33,708</u>	<u>33,625</u>
Less: Accumulated depreciation and amortization	(27,873)	(27,594)
	<u>\$ 5,835</u>	<u>\$ 6,031</u>

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 1). The net book value of the equipment involved in the lease was approximately \$0.5 million for both the three months ended March 31, 2020 and the year ended December 31, 2019.

12. Other Long-Term Assets

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

	March 31, 2020	December 31, 2019
	(in thousands)	
Deferred offering costs	\$ 350	\$ 511
Right of use assets	556	620
	<u>\$ 906</u>	<u>\$ 1,131</u>

The deferred offering costs are associated with the LPC Program (see Note 19). The right of use assets are related to certain office leases (see Note 5).

13. Accounts Payable and Other Accrued Liabilities

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

	March 31, 2020	December 31, 2019
	(in thousands)	
Accounts payable and accruals	\$ 981	\$ 710
Accrued employee compensation and benefits	578	724
Value added tax payable	—	401
Income taxes payable	—	292
	<u>\$ 1,559</u>	<u>\$ 2,127</u>

March 31, 2020

Accounts payable and accruals at March 31, 2020 are primarily related to amounts due to contractors and suppliers in the amounts of \$0.4 million related to the Company's Velardeña Properties and \$0.6 million related to exploration and corporate administrative activities.

Accrued employee compensation and benefits at March 31, 2020 consist of \$0.2 million of accrued vacation payable and \$0.4 million related to withholding taxes and benefits payable. Included in the \$0.6 million of accrued employee compensation and benefits is \$0.4 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 18). The taxes were paid in February 2020.

14. 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. The Sentient Loan bears interest at a rate of 10% per annum and the loan is due in full, together with accrued interest and any other amount outstanding under the Loan Agreement, on December 31, 2020. The Loan Agreement contains customary representations, warranties, and other provisions. The loan Agreement does not contain any prepayment penalties.

15. Other Liabilities*Other Current Liabilities*

The following table sets forth the Company's other current liabilities at March 31, 2020 and December 31, 2019:

	March 31,	December
	2020	31,
		2019
	(in thousands)	
Autlán refundable deposit	\$ 740	\$ 1,251
Premium financing	298	455
Office lease liability	112	118
	<u>\$ 1,150</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 our 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 is 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. Through March 31, 2020 the Company paid Autlán approximately \$0.8 million against the original \$1.5 million deposit, including interest of approximately \$32,000, leaving a balance due at March 31, 2020 of approximately \$0.7 million, including accrued interest. The Company recorded approximately \$23,000 of interest expense for the three months ended March 31, 2020 related to the Autlán refundable deposit. 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 will be increased from 11% per annum to 12% per annum, effective on April 9, 2020. The remaining balance is now due in full by December 2020.

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 is payable in twelve equal payments at an interest rate of 5.74% per annum. At March 31, 2020, the remaining balance, plus accrued interest, was approximately \$13,000. 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 March 31, 2020 the remaining balance, plus accrued interest, was approximately \$285,000.

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 5).

Other Long-Term Liabilities

Other long-term liabilities of \$0.4 million and \$0.5 million for the periods ended March 31, 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 5).

16. 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 three months of 2020, the Company recognized approximately \$59,000 of accretion expense.

The following table summarizes activity in the Velardeña Properties ARO:

	Three Months Ended	
	March 31,	
	2020	2019
	(in thousands)	
Beginning balance	\$ 2,825	\$ 2,660
Changes in estimates, and other	82	(60)
Accretion expense	59	55
Ending balance	<u>\$ 2,966</u>	<u>\$ 2,655</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 March 31, 2020 and December 31, 2019 includes a nominal amount of reclamation liability related to activities at the El Quevar project in Argentina.

17. 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 March 31, 2020 and December 31, 2019, by respective level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	(in thousands)			
At March 31, 2020				
Assets:				
Cash and cash equivalents	\$ 2,212	\$ —	\$ —	\$ 2,212
Derivative at fair value	—	—	39	39
	<u>\$ 2,212</u>	<u>\$ —</u>	<u>\$ 39</u>	<u>\$ 2,251</u>
At December 31, 2019				
Assets:				
Cash and cash equivalents	\$ 4,593	\$ —	\$ —	\$ 4,593
Derivative at fair value	—	—	254	254
	<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 20). 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 8). 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 valuation falls 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 March 31, 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 March 31, 2020 or December 31, 2019.

18. 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 three months ended March 31, 2020 and March 31, 2019 the Company did not recognize any income tax expense. 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 March 31, 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 3). 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 March 31, 2020 or December 31, 2019.

19. Equity

Registered direct offering

On July 17, 2019, the Company entered into an agreement with certain institutional investors providing for the issuance and sale of 8,653,846 shares of the Company’s common stock at a price of \$0.26 per share, and in a concurrent private placement transaction, the issuance of 8,653,846 Series A warrants to purchase up to 8,653,846 shares of the Company’s common stock at an exercise price of \$0.35 per share, for aggregate gross proceeds of \$2.25 million (the “Offering”). Each Series A warrant 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.

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 three months ended March 31, 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 March 31, 2020.

During the three months ended March 31, 2019 the Company sold 1,213,642 shares of common stock to LPC under the Commitment Purchase Agreement at an average sales price per share of approximately \$0.30, resulting in net proceeds

of approximately \$360,000. In addition, approximately \$35,000 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 three 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 March 31, 2020.

During the first three 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.

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 March 31, 2020 and the changes during the three 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	—	—
Restrictions lifted during the period	—	—
Forfeited during the period	—	—
Outstanding March 31, 2020	<u>318,003</u>	<u>\$ 0.45</u>

For the three months ended March 31, 2020 the Company recognized approximately \$17,000 of compensation expense related to the restricted stock grants. The Company expects to recognize additional compensation expense related to these awards of approximately \$45,000 over the next 15 months.

The following table summarizes the status of the Company's stock option grants issued under the Equity Plan at March 31, 2020 and the changes during the three months then ended:

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

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

The following table summarizes the status of the RSU grants issued under the Deferred Compensation Plan at March 31, 2020 and the changes during the three months then ended:

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

For the three months ended March 31, 2020 the Company recognized approximately \$35,000 of compensation expense related to the RSU grants. The Company expects to recognize additional compensation expense related to the RSU grants of approximately \$21,000 over the next three months.

Key Employee Long-Term Incentive Plan

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

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 approximately \$254,000 of compensation expense, included in "Stock based compensation" in the Condensed Consolidated Statement of Operations for the KELTIP Units awarded on February 26, 2019 with a similar amount recorded as "Additional Paid-in Capital" in the Condensed

Consolidated Statements of Changes in Equity. The Company has treated the previously awarded KELTIP Units as effectively modified at February 26, 2019. The Company marked-to-market the prior KELTIP Units as of that date and recorded approximately \$227,000 of additional compensation expense, included in “*Stock based compensation*” in the Condensed Consolidated Statement of Operations and recorded approximately \$583,000 as “*Additional Paid-in Capital*” in the Condensed Consolidated Statements of Changes in Equity, an amount representing the sum of the compensation expense recorded on February 26, 2019 and the liability for the KELTIP Units recorded at December 31, 2018. All KELTIP Units were recorded in equity at March 31, 2019.

The Company did not award any KELTIP Units during the three months ended March 31, 2020. At March 31, 2020 and December 31, 2019, there were 2,325,000 KELTIP Units outstanding.

Common stock warrants

The following table summarizes the status of the Company’s common stock warrants at March 31, 2020 and the changes during the three months then ended:

<u>Common Stock Warrants</u>	<u>Number of Underlying Shares</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding at December 31, 2019	14,653,846	\$ 0.80
Granted during the period	—	—
Dilution adjustment	—	—
Expired during period	—	—
Exercised during period	—	—
Outstanding March 31, 2020	<u>14,653,846</u>	\$ 0.80

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

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

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

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

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

For the three months ended March 31, 2020 the Company recorded revenue of approximately \$1.2 million and related costs of approximately \$0.6 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 has 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 August 2, 2017 through December 31, 2020 on a straight-line basis, including such income in “*Revenue: Oxide plant lease*” in the Condensed Consolidated Statements of Operations. During the three months ended March 31, 2020 the Company recognized approximately \$0.1 million of amortized income related to the upfront cash payment. As of March 31, 2020, the unamortized portion of the lease option totaled approximately \$0.2 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. 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. Moreover, the lease permits Hecla to terminate the lease upon ten days notice if Hecla is unable to use the plant due to a government ordered shutdown for a period of more than 90 continuous days.

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 8. 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 three month period ended March 31, 2020 the amortization of the upfront lease payment and the decrease in the derivative asset (Note 8) were recorded as a net decrease of approximately \$170,000 to “*Revenue: Oxide plant lease*” in the Consolidated Statements of Operations for the period ended December 31, 2019.

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

For the three months ended March 31, 2019 the Company recorded revenue of approximately \$1.9 million and related costs of approximately \$0.6 million associated with the lease of the Velardeña Properties oxide plant. During the three months ended March 31, 2019 the Company also recognized approximately \$0.1 million of amortized income related to the upfront cash payment from Hecla, as discussed above.

21. Interest and Other Expense, Net

For the three months ended March 31, 2020 the Company recognized a nominal amount of *Interest and Other Expense* primarily related to amounts payable to Autlán (see Note 15).

For the three months ended March 31, 2019 the Company recognized approximately \$0.1 million of *Interest and Other Expense* primarily related to the mark-to-market of Golden Tag shares held by the Company at that time. All the Golden Tag shares were sold during the third quarter 2019.

22. Supplemental Cash Flow Information

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

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$ (3,336)	\$ (2,351)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	279	274
Accretion of asset retirement obligation	59	55
Decrease in derivative at fair value	215	—
Loss (gain) on trading securities	—	106
Asset write off	—	16
Gain on reduction of asset retirement obligation	—	(39)
Stock compensation	52	564
Changes in operating assets and liabilities from continuing operations:		
Decrease (increase) in lease receivable	138	(8)
(Increase) decrease in prepaid expenses and other assets	43	(62)
(Increase) decrease in inventories	53	(2)
Increase in value added tax recoverable, net	—	(5)
Increase in other long term assets	96	—
Decrease in reclamation liability	(1)	(63)
(Decrease) increase in accounts payable and accrued liabilities	(568)	191
Decrease in deferred revenue	(118)	(73)
Decrease in other current liabilities	(675)	(10)
Decrease in other long term liabilities	(56)	—
Net cash used in operating activities	<u>\$ (3,819)</u>	<u>\$ (1,407)</u>

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

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Supplemental disclosure:		
Interest paid	\$ 26	\$ —
Income taxes paid	\$ 284	\$ —
Supplemental disclosure of non-cash transactions:		
Deferred equity offering costs amortized	\$ 32	\$ 34

23. Commitments and Contingencies

At March 31, 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.

24. 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	Revenue	Costs Applicable to Sales	Depreciation, Depletion and Amortization	Exploration, El Quevar, Velardeña and Administrative Expense	Pre-Tax (gain) loss	Total Assets	Capital Expenditures
Three Months Ended March 31, 2020							
Velardeña Properties	\$ 1,196	\$ 564	\$ 204	\$ 657	\$ 371	\$ 4,663	\$ 1
Corporate, Exploration and Other	—	—	75	2,848	2,965	5,572	—
	<u>\$ 1,196</u>	<u>\$ 564</u>	<u>\$ 279</u>	<u>\$ 3,505</u>	<u>\$ 3,336</u>	<u>\$ 10,235</u>	<u>\$ 1</u>
Three Months Ended March 31, 2019							
Velardeña Properties	\$ 1,932	\$ 597	\$ 202	\$ 634	\$ (316)	\$ 5,641	\$ —
Corporate, Exploration and Other	—	—	72	2,126	2,667	5,647	25
	<u>\$ 1,932</u>	<u>\$ 597</u>	<u>\$ 274</u>	<u>\$ 2,760</u>	<u>\$ 2,351</u>	<u>\$ 11,288</u>	<u>\$ 25</u>

25. Related Party Transactions

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

Administrative Services:

Beginning in August 2016, the Company began providing limited accounting and other administrative services to Minera Indé, an indirect subsidiary of Sentient. At March 31, 2020, Sentient, through the Sentient executive funds, holds approximately 38% of the Company's 108.5 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 three months ended March 31, 2020 and 2019 the Company charged Minera Indé approximately \$45,000 for services, offsetting costs that are recorded in "Exploration expense" in the Condensed Consolidated Statements of Operations.

Debt – Related Party

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 bears interest at a rate of 10% per annum and the loan is due in full, together with accrued interest and any other amount outstanding under the loan agreement, on December 31, 2020. See Note 14 for a full description of the loan.

26. Subsequent Events

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.

Earn in Agreement

On April 9, 2020, the Company and several of its directly and indirectly wholly-owned subsidiaries entered into an Earn-In Agreement (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. In connection with the Earn-In Agreement, the Company and Barrick also entered into a subscription agreement dated as of April 9, 2020 pursuant to which Barrick agreed to purchase approximately 4.7 million shares of the Company's common stock at a purchase price of \$0.21 per share in a private placement transaction for gross proceeds of \$1.0 million. See "2020 Highlights – El Quevar" below for more information regarding the Earn-In Agreement.

Offering and private placement transaction

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 and has a term expiring five years after such initial exercise date. Total costs for the Offering were approximately \$250,000, 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. 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. Under the terms of the Offering, the Company is precluded from selling any more of its equity in a similar transaction, including use of the LPC Program and the ATM Program, for a period of 90 days following the Offering.

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 three months ended March 31, 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 three months ended March 31, 2020 and 2019.

We remain focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our Velardeña Properties. We are also 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 also 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 the recent

directive of the Mexican Federal Government to suspend all non-essential activities, including mining, until May 18, 2020 in response to the COVID-19 pandemic, we suspended mining activities at our Velardeña Properties (Durango State, Mexico). Work was conducted jointly with Hecla Mining Company to shut down the oxide mill that Hecla presently leases from us. Hecla will, per the terms of the existing lease agreement, continue to pay the fixed monthly fee of \$125,000 during a temporary shutdown, as well as pay for certain shutdown-related costs. During the period of suspension, we will not receive the variable component of revenue that is tied to tonnes of ore milled per month.

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. Sentient is our largest stockholder, holding in the aggregate approximately 32% of our outstanding common stock. The Sentient Loan bears interest at a rate of 10% per annum and is due in full, together with accrued interest and any other amount outstanding under the loan agreement, on December 31, 2020. The Loan Agreement contains customary representations, warranties, and other provisions.

We also reached an agreement with Autlán to extend the time to repay the remaining US\$729,000 related to the \$1.5 million refundable deposit received for the proposed sale of our Velardeña Properties and other assets in June 2019. Through March 31, 2020, we paid Autlán approximately \$0.8 million against the original \$1.5 million deposit plus interest, leaving a balance due at March 31, 2020 of approximately \$0.7 million, including accrued interest. On April 7, 2020, Autlán agreed to reduce the monthly payments to \$81,000 and the interest rate applicable to the unpaid repayment amount will be increased from 11% per annum to 12% per annum, effective on April 9, 2020. The remaining balance is now due in full by December 2020.

Velardeña Oxide Plant Lease Agreement

During the three months ended March 31, 2020, Hecla processed approximately 32,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$1.2 million, comprised of approximately \$0.6 million for direct plant charges and fixed fees and approximately \$0.6 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 \$0.6 million of reimbursable costs are also reported as plant lease costs, resulting in net operating margin of approximately \$0.6 million for the three months ended March 31, 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 latest amendment also extended the notice period for Hecla's right to terminate the lease for any reason from 120 days notice to 150 days. Hecla has a one-time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if we decide to use the oxide plant for our own purposes before December 31, 2020.

We expect Hecla to continue to process material slightly below the intended approximately 400 tonnes per day rate during 2020, which would generate a net operating margin to us, net of reimbursable costs, of approximately \$0.6 million to \$0.8 million per quarter. However, because Hecla has the right to terminate the lease with 150 days notice, there is no assurance that these amounts will continue through 2020. In addition, the actual net operating margin received from the oxide plant may be negatively impacted if interruptions due to COVID-19 persist longer than currently anticipated. Moreover, the lease permits Hecla to terminate the lease upon ten days notice if Hecla is unable to use the plant due to a government ordered shutdown for a period of more than 90 continuous days.

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.

Rodeo PEA

Rodeo, an open pit gold project within a 1,900-hectare claim located about 80 kilometers west of Velardeña, represents a source of mineralized material that may be processed at Velardeña's oxide mill once our lease of that mill to Hecla Mining Co. concludes. Hecla currently has the right to use the mill through December 2020.

On April 15, 2020, we announced positive results from a Preliminary Economic Assessment (PEA) for the Rodeo project. The preliminary mine plan included in the PEA contemplates an open pit mining operation with material transported to our facility at the Velardeña property for processing. Daily throughput is estimated to be approximately 480 tonnes per day and estimated mine life is approximately nine quarters (2.25 years). We are planning for mining excavation to be completed using a regional contractor. We intend to provide overall project management and engineering, which includes in-pit technicians that will determine whether material is suitable for process or placement on the waste dump. Our assay lab, located in Velardeña, Durango will be used for the project's assaying requirements. Our oxide plant at Velardeña, which will be used to process the mined material from Rodeo, is a typical agitated leach plant that can handle up to 550-tpd of throughput. The plant is equipped with a modern doré refinery, and the attached tailings facility recently underwent a major expansion.

We have already begun the process of obtaining the required mining and environmental permits for an open pit mining operation, a process that could take up to one year. We plan to initiate a small drilling program at Rodeo to provide greater resource definition for a mine plan and to provide samples for additional metallurgical testing. Pending successful procurement of all the necessary permits to operate, production from Rodeo could begin shortly after our lease of the Velardeña oxide mill to Hecla concludes.

Velardeña PEA

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.

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 samples have been submitted for assay and results are pending. In the first year of exploration at Sand Canyon, Golden 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 Nina vein, was discovered in the northwest of the property where it splits off from the main San Francisco vein. Two other veins, the Esperanza and El Dolar veins have been identified and sampled. Based on sampling and mapping we have identified the most attractive targets on the property and have permits in hand to initiate the drill program. Subject to the availability of capital, we intend to begin a drill program in 2021 to test the most promising portions of the veins.

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 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 \$250,000, 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. In connection with the Offering, the Company, its directors, executive officers, and certain stockholders, subject to certain exceptions, may not to 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, without first obtaining the written consent of the placement agent. This includes the Company's use of the LPC Program and the ATM Program.

Financial Results of Operations

For the results of continuing operations discussed below, we compare the results from operations for the three months ended March 31, 2020 to the results from operations for the three months ended March 31, 2019.

Three Months Ended March 31, 2020

Revenue from oxide plant lease. We recorded revenue of \$1.2 million and \$1.9 million during three-month periods ended March 31, 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 period relating to an amendment of the Hecla lease as discussed in Note 20 in the accompanying financial statements.

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 March 31, 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 the Sand Canyon and other properties, property holding costs and allocated administrative expenses, totaled \$1.6 million and \$0.9 million for the three months ended March 31, 2020 and March 31, 2019, respectively. The increase in exploration expense for 2020 is primarily related to a drilling program at our Sand Canyon project in Nevada. Exploration expense for 2019 was incurred primarily in Mexico.

Velardeña care and maintenance costs. We recorded \$0.5 million for each of the three month periods ended March 31, 2020 and 2019, 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.

El Quevar project expense. For the three months ended March 31, 2020 we incurred \$0.2 million related to holding and evaluation costs for the Yaxtché deposit at our El Quevar project in Argentina. For the three months ended March 31, 2019 we incurred \$0.3 million in expenditures.

Administrative expense. Administrative expenses totaled \$1.2 million for the three months ended March 31, 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 \$1.2 million of administrative expenses we incurred during the three months of 2020 is comprised of \$0.3 million of employee compensation and directors' fees, \$0.5 million of professional fees and \$0.4 million of insurance, rents, travel expenses, utilities and other office costs. Administrative expenses totaled \$1.1 million for the three months ended March 31, 2019. The \$1.1 million of administrative expenses we incurred during the three months of 2019 is comprised of \$0.3 million of employee compensation and directors' fees, \$0.4 million of professional fees and \$0.4 million of insurance, rents, travel expenses, utilities and other office costs.

Stock based compensation. During the three months ended March 31, 2020 we incurred approximately \$0.1 million of expense related to stock-based compensation. During the three months ended March 31, 2019 we recorded approximately \$0.6 million of 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. The 2019 stock-based compensation includes expense related to KELTIP grants made to two officers during the period, no such grants were made during the 2020 period.

Reclamation and accretion expense. During each of the three months ended March 31, 2020 and 2019 we incurred approximately \$59,000 of reclamation expense related to the accretion of an asset retirement obligation at the Velardeña Properties.

Other operating income, net. We recorded a nominal amount of other operating income for the three months ended March 31, 2020, related to the sale of an asset in Mexico. We recorded \$0.1 million of other operating income for the three months ended March 31, 2019, related primarily to an adjustment to the estimated asset retirement obligation at our Velardeña Properties and the sale of surplus equipment in Argentina.

Depreciation, depletion and amortization. During each of the three-month periods ended March 31, 2020 and March 31, 2019 we incurred depreciation, depletion and amortization expense of approximately \$0.3 million.

Interest and other expense, net. We recorded a nominal amount of interest and other expense, net for the three months ended March 31, 2020, primarily related to a refundable deposit due to Autlán. We recorded \$0.1 million of interest and other expense, net for the three months ended March 31, 2019, primarily related to the mark-to-market of certain common stock we owned in a junior mining company.

Gain (Loss) on foreign currency. We recorded a nominal foreign currency loss for both the three months ended March 31, 2020 and March 31, 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 no income tax expense or benefit for the three months ended March 31, 2020 and March 31, 2019.

Liquidity, Capital Resources and Going Concern

At March 31, 2020, our aggregate cash and cash equivalents totaled \$2.2 million, compared to the \$4.6 million in similar assets held at December 31, 2019. The March 31, 2020 balance is due in part from the following expenditures and cash inflows for the three months ended March 31, 2020. Expenditures totaled \$4.4 million from the following:

- \$1.6 million in exploration expenditures, including work at Rodeo, Sand Canyon and other properties;
- \$0.5 million in care and maintenance costs at the Velardeña Properties;
- \$0.2 million in exploration and evaluation activities, care and maintenance and property holding costs at the El Quevar project;
- \$1.2 million in general and administrative expenses; and
- \$0.3 million in Canadian income tax payments (Note 18), \$0.4 million related to the remittance of value added taxes in Mexico collected in the fourth quarter 2019, and \$0.2 million related to a working capital increase primarily from a reduction of accounts payable and other accrued liabilities.

The foregoing expenditures were offset by cash inflows of \$2.0 million from the following:

- \$1.0 million in an unsecured loan received from a related party (Note 14);
- \$0.6 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 (as described in Note 19).

In addition to the \$2.2 million cash balance at March 31, 2020, in April 2020 we entered into an earn-in agreement with Barrick and received \$0.9 million, net of transaction costs, related to a private placement transaction whereby Barrick

received approximately 4.7 million shares of our common stock (see Note 26). Also, in April 2020, we closed on an equity offering and private placement (see Note 26), which resulted in the receipt of approximately \$2.8 million in proceeds, net of transaction costs. We also expect to receive an additional approximately \$2.1 million in net operating margin from the lease of the oxide plant through the end of 2020. Our budgeted expenditures totaling approximately \$9.0 million during the next twelve months ending March 31, 2021 are as follows:

- Approximately \$2.2 million on evaluation activities, exploration and property holding costs related to our portfolio of exploration properties located in Mexico, Nevada and Argentina, including costs at Rodeo, El Quevar, Sand Canyon, Yoquivo and other properties;
- Approximately \$1.5 million at the Velardeña Properties for care and maintenance;
- \$1.0 million related to the repayment of a related party loan (Note 14);
- Approximately \$0.7 million for repayment of the Autlán deposit according to the terms of the Agreement (as described in Note 15);
- Approximately \$3.1 million on general and administrative costs; and
- Approximately \$0.5 million related to a decrease in accounts payable and other accrued liabilities.

Our currently budgeted expenditures of approximately \$9.0 million are greater than the cash resources of \$8.0 million that are expected to be available during the period. Therefore, during the remainder of 2020 and through March 31, 2021, we will take appropriate actions, which may include sales of certain of our exploration assets, reductions to our currently budgeted level of spending, and/or raising additional equity capital through sales under the ATM Program, the LPC Program or otherwise. There are currently 8.1 million shares and 12.2 million shares remaining available for issuance under the ATM Program and LPC Program, respectively.

The actual amount of cash expenditures that we incur during the twelve-month period ending March 31, 2021 may vary significantly from the amounts specified above and will depend on a number of factors, including variations from anticipated care and maintenance costs at the Velardeña Properties and costs for continued exploration, project assessment, and development at our other exploration properties, including El Quevar. Likewise, the actual amount of cash receipts that we receive during the period may vary significantly from the amounts specified above due to, among other things, a decrease in the quantity of material processed under the oxide plant lease or an unexpected early termination of the oxide plant lease by the lessee. If cash expenditures are greater than anticipated or if cash receipts are less than anticipated, we would need to take more aggressive actions to maintain sufficient cash balances over the next twelve months.

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

There can be no assurance that we will be successful in generating future profitable operations or securing additional funding in the future on terms acceptable to us or at all. We believe the cash on hand, the continuing cash flow from the lease of the oxide plant, use of the ATM Program and the LPC Program, and the potential for additional asset dispositions make it probable that we will have sufficient cash to meet our financial obligations and continue our business strategy beyond one year from the filing of our consolidated financial statements for the period ended March 31, 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 our plans, expectations and assumptions concerning the Velardeña oxide plant lease, including the expected term, anticipated revenues, and potential future tailings expansion; the El Quevar project, including assumptions and projections contained in the El Quevar PEA, the timing of results from the current drilling program and our plans regarding further advancement of the project; the Santa Maria property, including the assumptions and projections contained in the updated Santa Maria PEA, and other expectations regarding the project; the Yoquivo project, including future drilling plans and exploration activities; anticipated income from the use of our ATM Program and LPC Program; our financial outlook for the remainder of 2020, including anticipated income and expenditures; expected need for external financing and statements concerning our financial condition, business strategies and business and legal risks.

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

- Timing duration and overall impact of the COVID-19 pandemic;
- 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;
- Timing and duration of the suspension of mining activities at the Velardeña Properties (including operations at the oxide plant lease) in compliance with the recent directive of the Mexican Federal Government due to the COVID-19 pandemic;
- Higher than anticipated care and maintenance costs at the Velardeña Properties in Mexico or at El Quevar in Argentina;
- Failure to negotiate an extension of the option period related to the option agreement for the sale of our Santa Maria property and failure to receive the initial cash payment of \$1.0 million upon exercise of that option;
- 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 three 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 March 31, 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

Other than the risk factors set forth below, the risk factors for the three months ended March 31, 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. These amended risk factors supplement, but do not replace those we have previously reported.

Our operations may be further disrupted, and our financial results may be adversely affected by the novel coronavirus (COVID-19) pandemic.

The December 2019 novel strain of coronavirus known as COVID-19, which was declared a pandemic by the World Health Organization in March 2020, poses a risk to our business and operations. If a significant portion of our workforce becomes unable to work or travel to our operations due to illness or state or federal government restrictions (including travel restrictions and “shelter-in-place” and similar orders restricting certain activities that may be issued or extended by authorities), we may be forced to reduce or suspend exploration activities and/or development projects which may impact liquidity and financial results. Furthermore, in compliance with the recent directive of the Mexican Federal Government to suspend all non-essential activities, including mining, until May 18, 2020 in response to the COVID-19 pandemic, we suspended mining activities at the Velardeña Properties in the State of Durango, Mexico, which includes operations at our oxide mill that we presently lease to Hecla. Per the terms of the existing lease agreement, Hecla will continue to pay the fixed monthly fee of \$125,000 to us during a temporary shutdown, as well as pay for certain shutdown-related costs. During the period of suspension, we will not receive the variable component of revenue that is tied to tonnes of ore milled per month. Depending on the duration of the suspension of mining activities in Mexico, this may significantly lower the revenue previously anticipated from the oxide plant lease. Moreover, the lease permits Hecla to terminate the lease upon ten days notice if Hecla is unable to use the plant due to a government ordered shutdown for a period of more than 90 continuous days.

To the extent the COVID-19 pandemic adversely affects our business and financial results as discussed above, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section and those set forth under the caption “Risk Factors” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2019, such as those relating to our operation and indebtedness and financing. Because of the highly uncertain and dynamic nature of events relating to the COVID-19 pandemic, it is not currently possible to estimate the impact of the pandemic on our business. However, these effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

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

- 10.1 [Earn-In Agreement among Golden Minerals Company, ASM Services S.A.R.L., Silex Spain, S.L., Silex Argentina S.A. and Barrick Gold Corporation, dated April 9, 2020.*](#)
- 10.2 [Subscription Agreement by and between Golden Minerals Company and Barrick Gold Corporation, dated April 9, 2020.*](#)
- 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: May 7, 2020

By: /s/ Warren M. Rehn

Warren M. Rehn
President and Chief Executive Officer

Date: May 7, 2020

By: /s/ Robert P. Vogels

Robert P. Vogels
Senior Vice President and Chief Financial Officer

**EARN-IN AGREEMENT AMONG
GOLDEN MINERALS COMPANY AND
ASM SERVICES S.A.R.L. AND
SILEX SPAIN, S.L. AND
SILEX ARGENTINA S.A. AND
BARRICK GOLD CORPORATION DATED APRIL 9, 2020**

EARN-IN AGREEMENT

THIS AGREEMENT is made as of the 9th day of April, 2020,

AMONG:

GOLDEN MINERALS COMPANY, a Delaware corporation

(hereinafter called "**Golden US**")

AND:

ASM SERVICES S.A.R.L., a Luxembourg corporation (hereinafter called "**Golden Lux**")

AND:

SILEX SPAIN S.A., a Spanish corporation (hereinafter called "**Golden Spain**")

AND:

SILEX ARGENTINA S.A., an Argentinean corporation (hereinafter called "**Silex**")

AND:

BARRICK GOLD CORPORATION, a British Columbia corporation

(hereinafter called "**Barrick**")

WHEREAS, Silex is the legal and registered owner of a 100% interest in the Properties, which comprise the El Quevar Project, located in the Province of Salta, Argentina, as more particularly described in Schedule A;

WHEREAS, Silex is a wholly-owned subsidiary of Golden Spain (other than a single share held by Golden Lux), which is a wholly-owned subsidiary of Golden Lux, which is a wholly-owned subsidiary of Golden US, each of which will benefit from the transactions contemplated by this Agreement;

AND WHEREAS, Barrick desires to explore for minerals on the Properties and Silex desires to grant Barrick rights of access on, over and to and the right to explore and develop the minerals on the Properties;

AND WHEREAS, in addition to such exploration and access rights, Barrick desires to acquire from the Golden Entities and the Golden Entities desire to grant to Barrick the right and option to acquire a 70% interest in and to the Properties, to be effected by the acquisition by Barrick of a 70% ownership interest in JVCO (which in turn will own 100% of OPCO which will own the Properties, with the remaining 30% ownership interest in JVCO to be held by Golden Lux, and to enter into a shareholders agreement with Golden US and Golden Lux in respect of JVCO and the Properties, on the terms set forth in this Agreement;

NOW THEREFORE for good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) and the covenants and agreements hereinafter set forth, the Parties hereto agree as follows:

1. **INTERPRETATION**

1.1 **Definitions.** In this Agreement, the following terms shall have the following meanings:

- (a) **“Acquired Rights”** has the meaning assigned to it in Section 17.2.
- (b) **“Acquiring Party”** has the meaning assigned to it in Section 17.2.
- (c) **“Affiliate”** means any person, partnership, limited liability company, joint venture, corporation, or other form of enterprise that directly or indirectly Controls, or is Controlled by or is under common Control with, a Party.
- (d) **“Agreement”** means this Agreement and the Schedules attached hereto.
- (e) **“Annual Period”** means the one-year period from the Effective Date, or any anniversary thereof, to the next anniversary of the Effective Date.
- (f) **“Anti-Corruption Laws”** means anti-bribery, anti-corruption, and anti-money laundering laws, rules, regulations, decrees and/or official governmental orders of the United States, Canada and the United Kingdom, including the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act and the Corruption of Foreign Public Officials Act (Canada), as well as any other legislation implementing either the United Nations Convention Against Corruption or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions applicable to any party;
- (g) **“Area of Interest”** has the meaning assigned to it in Section 17.1.
- (h) **“Barrick Sub”** means Minera Del Carmen S.A. or such other wholly-owned subsidiary of Barrick as Barrick may designate in writing.
- (i) **“Business Day”** means a day which is not a Saturday or Sunday or a statutory holiday in the Province of Ontario, Canada, in Denver, Colorado, U.S.A., or in Buenos Aires, Argentina.
- (j) **“Concession Maintenance Obligations”** means all the expenses, works and investment obligations required under Argentinian law, including Sections 215, 216,

217 and 225 of the Argentinian Mining Code to maintain the Properties valid and in good standing.

- (k) “**Concessions**” has the meaning assigned to it in Section 1.1(qq)(i).
- (l) “**Control**” means (and as applicable as part of its derivatives “**Controls**” and “**Controlled**” means) possession, directly or indirectly, of the power to vote more than 50% of the voting power of such Person or to direct or cause the direction of the management or policies of a Person, whether through ownership of the voting power of such Person, by contract or otherwise.
- (m) “**Cure Period**” has the meaning assigned to it in Section 8.2.
- (n) “**Disclosure Schedule**” means the Disclosure Schedule attached hereto as Schedule H.
- (o) “**Effective Date**” means the date of this Agreement that is written above.
- (p) “**Encumbrances**” means any mortgage, charge, pledge, lien, licence, privilege, security interest, royalty, profit interest, or any other payments arising from the production or exploitation of the Properties, encumbrance, or claim, right or interest in, against, attaching to or affecting, property or assets, in each case whether registered or unregistered, and whether arising by agreement, statute or otherwise under applicable Laws.
- (q) “**Environmental Compliance**” means actions performed during or after Operations to comply with the requirements of all Environmental Laws or contractual commitments related to reclamation of the Properties or other compliance with Environmental Laws.
- (r) “**Environmental Laws**” means all Laws relating to the protection of health or the environment resulting from the exploration, development, mining, operation, reclamation or restoration of the Properties including, without limitation, the Argentine Constitution, the Constitution of the Province of Salta, the Argentine Mining Code, Federal Laws # 24,051, 25,675 and 26,639, Provincial Law # 7,625 and 7,070 and such other Laws that govern or regulate the abatement of pollution; protection of the environment; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural, archeological or historic resources and sites; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances as wastes into the environment (including ambient air, surface water and groundwater) and all other Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances, radioactive materials or hazardous wastes.
- (s) “**Existing Data**” means maps, plans, exploration data, drill logs and other drilling data, core tests, samples, pulps, reports, photographs, surveys, assays, analyses, production reports, operations, technical, accounting and financial records, and other material

information and data developed in operations on, or in any way related to, the Properties, including information and data in digital form, prior to the Effective Date.

- (t) **“Expenditure Commitment”** has the meaning assigned to it in Section 4.8.
- (u) **“Expenditures”** means all direct expenses of or incurred in connection with Operations (including, without limitation, any and all costs, fees and expenses (including any Taxes thereon other than income taxes) which may be paid to obtain feasibility, engineering or other studies or reports on or with respect to the Properties or any part of the Properties). For greater certainty, the costs of the Concession Maintenance Obligations, the costs of Environmental Compliance and the costs of complying with all applicable Laws are included in Expenditures. Likewise, actual salaries, wages, expenses and benefits (other than any equity-based compensation) paid or provided to Barrick’s or its Affiliates’ employees or consultants engaged in Operations directly relating to the Properties, including salaries and fringe benefits of those who are temporarily assigned to and directly employed on work relating to the Properties for the periods of time such employees are engaged in such activities (for clarity, the amount of salary, wages, expenses and benefits of an employee that shall be deemed to be “Expenditures” shall be that portion of the employee’s total compensation that is proportionate to such employee’s time spent engaged in activities related to the Properties relative to the time spent by such employee on other Barrick business); reasonable travel, transportation and vehicle costs incurred in the course of working on or for the benefit of the Properties; and actual charges for machinery, tools, equipment, camp facilities and other materials and assets used or employed in Operations, shall also be deemed added to and included in Expenditures. In addition to the foregoing, Barrick may also include as Expenditures for each most recently completed Annual Period, general and administrative expenses incurred by Barrick and/or its Affiliates in respect of Operations up to but not exceeding an amount equal to 5% of the direct Expenditures incurred by Barrick during such Annual Period;
- (v) **“Exploration Camp”** means the existing exploration camp of Silex located on the Properties.
- (w) **“Force Majeure”** means any cause, event, condition or circumstances, whether foreseeable or unforeseeable, beyond Barrick’s reasonable control, including but not limited to, the application of any Law or any changes in Law; action or inaction of civil or military authority; any judicial or governmental action, order, proclamation, request or instruction; interference or opposition by an indigenous group or an indigenous rights groups, communities or community groups, non-government organizations (NGOs), environmentalists or other activists; war, hostilities (whether or not war has been declared), threat of war, act of public enemy, blockade, revolution, riot, civil unrest, insurrection, public demonstration, civil commotion, invasion or armed conflict; acts of terrorism; sabotage or acts of vandalism, criminal damage or the threat of such acts; any outbreak or continuance of epidemic or pandemic (including COVID-19), famine or plague and any consequential states of emergency and movement restrictions; inability to obtain, or undue delay in obtaining (after exercising commercially reasonable and diligent efforts), any licence, permit or other authorization that may be required on reasonable terms and conditions; curtailment or

suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of any Environmental Laws or any other Laws; inability after commercially reasonable effort to obtain contractors, subcontractors, workmen, labour, parts, equipment, materials or supplies on reasonable terms and conditions; failure, delay or suspension of transportation; strike, lock out or labour disputes; unplanned shutdown; accidents; breakdown or loss or damage to, or failure of plant, machinery, equipment, materials or facilities; natural disasters or other extreme weather or environmental conditions including lightning, earthquake, flooding, wind, storm, fire, landslip, natural disasters and phenomena including meteorites and volcanic eruptions and other acts of God; but not including lack of funds or market conditions generally (and not resulting from any such Force Majeure events, conditions or circumstances).

- (x) “**Golden Entities**” means, collectively, Golden US, Golden Lux, Golden Spain and Silex, and “**Golden Entity**” means any of them.
- (y) “**Governmental Authority**” means any nation, state or local or other governmental entity or authority of any nature, including any governmental ministry, agency, branch, department or official, and any court, regulatory or administrative board or other tribunal.
- (z) “**JVCO**” has the meaning assigned to in Section 9.1.
- (aa) “**JV Formation Date**” has the meaning assigned to in Section 5.4.
- (bb) “**Law**” or “**Laws**” means all applicable national, provincial and local laws (statutory and common), rules, ordinances, treaties, regulations, judgments, decrees, and other valid governmental restrictions, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature.
- (cc) “**NI 43-101**” means National Instrument 43-101, “Standards of Disclosure for Mineral Projects” applicable to all companies listed on a Canadian stock exchange, as the same may be amended from time to time.
- (dd) “**Notices**” has the meaning assigned to it in Section 15.1.
- (ee) “**Objection Notice**” has the meaning assigned to it in Section 8.2.
- (ff) “**OPCO**” has the meaning assigned to it in Section 9.1.
- (gg) “**Operations**” includes any and every kind of mineral prospecting, exploration and development and related reclamation and remediation work (but not mining) and all assessments, studies and reports relating thereto and all associated activities which Barrick in its sole discretion performs or has performed for it on or in respect of the Properties or the products derived therefrom.
- (hh) “**Option**” has the meaning assigned to it in Section 5.1.

- (ii) “**Option Period**” means the period beginning on the Effective Date and ending on the earlier of the 8th anniversary of the Effective Date or the effective date of Barrick’s exercise of the Option.
- (jj) “**Other Party**” has the meaning assigned to it in Section 17.2.
- (kk) “**Other Permits**” means any additional licenses, franchises, permits, orders, consents, approvals, registrations, authorizations, and qualifications to be obtained by Barrick to conduct its Operations (or if such Other Permits cannot legally be obtained by Barrick, as requested by Barrick in writing after the Effective Date to be obtained by Silex or OPCO, as applicable), in order to permit Barrick to conduct its Operations.
- (ll) “**Party**” means a party to this Agreement and its successors and assigns.
- (mm) “**Permits**” has the meaning assigned to it in Section 2.1(t), and shall also be deemed to include any and all Other Permits, as the context requires.
- (nn) “**Permitted Encumbrances**” means, with respect to the Properties, (i) the Underlying Royalties, (ii) Encumbrances for assessments, obligations under workers’ compensation or other social welfare legislation or other requirements, charges or levies of any Governmental Authority, in each case not yet overdue; (iii) Encumbrances with respect to Taxes that are not yet due and payable; (iv) easements, servitudes, rights-of-way and other rights, exceptions, reservations, conditions, limitations, covenants and other restrictions that will not materially interfere with, materially impair or materially impede operations on the Properties, and (v) the rights reserved to or vested in any Governmental Authority of the Province of Salta to control or regulate the Properties.
- (oo) “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, limited liability company, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or entity however designated or constituted.
- (pp) “**Pre-Feasibility Study**” means a study that analyzes the feasibility of developing a mine on the Properties meeting the standards of NI 43-101 for a Pre-Feasibility Study and the NI 43-101 definition of “Pre-Feasibility Study,” showing a mineral resource of not less than 2 million Au equivalent ounces within the Properties (calculated using the base-case metal prices for gold and silver set forth therein), and a positive pre-tax internal rate of return (greater than zero).
- (qq) “**Properties**” means:
 - (i) the mining rights described in Part 1 of Schedule A Concessions, all of which were granted by a judge in the Salta Mining Court under the provisions of the Argentine Mining Code and are located in the Province of Salta, Argentina, and any permits, claims, leases, concessions or other form of mineral tenure which may replace the same (the “**Concessions**”); and

(ii) and any and all surface, easement, water, access and other rights of and to any lands wholly or partially within the Area of Interest held by or for and of the Golden Entities, including the easements described in Part 2 of Schedule A (the “**Easements**”) and the applications for water concessions described Part 3 of Schedule A to this Agreement, and all other surface rights held in fee or under lease, licence, easement, right of way or other rights of any kind,

and with respect to (i) or (ii), all renewals, extensions and amendments thereof or substitutions therefor, subject to reductions from time to time in accordance with Section 6.8 and additions thereto by operation of Article 17.

- (rr) “**Proprietary Property**” means all intellectual property owned or held by Barrick or any of its Affiliates, including (i) patents and patent applications, (ii) copyrights and applications in copyright, domestic or foreign, and all underlying works of authorship, (iii) computer programs, computer databases (but not the Technical Data contained therein), computer program flow diagrams, source codes and object codes, (iv) trade secrets, software, license rights, methods, process, know-how, formulae and algorithms and (v) all licenses related to intangible property incorporating any of the foregoing.
- (ss) “**Qualified Person**” means an individual who (i) is an engineer or geoscientist with at least five years experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (ii) has experience relevant to the subject matter of the mineral project and the technical report; and (iii) is a member in good standing of a professional association. The Parties acknowledge and agree that the definition of “Qualified Person” under this Agreement will be deemed to be automatically modified if the definition of that term is modified in NI 43-101.
- (tt) “**Shareholders’ Agreement**” means the shareholders’ agreement to be entered into among Barrick and Golden US, Golden Lux and JVCO upon the JV Formation Date, the form of which is attached as Schedule B to this Agreement.
- (uu) “**Shares**” means common shares in the capital of JVCO.
- (x) “**Taxes**” means taxes of any nature, including without limitation, income taxes, ad valorem taxes, stamp taxes, transfer taxes, valued added taxes, withholding taxes, imposts, duties, levies, charges and other similar payments to any Governmental Authorities, whether domestic or foreign and otherwise.
- (ww) “**Technical Data**” means engineering studies, consultants’ reports and working papers, pre-feasibility reports, feasibility reports, mine plans, surface and underground maps, assays, samples, cores, analyses, geologic and geophysical maps, engineering maps, photographs, drill logs, exploration reports, environmental studies, reserve studies and reports, metallurgical studies and reports and all other information and data in printed or electronic form concerning the condition, geology, mineral potential, physical characteristics, mineability or other technical matters related to the Properties or the conduct of the Operations.

- (xx) “**Technical Report**” means a report prepared, filed and certified in accordance with this Agreement and NI 43-101F.
- (yy) “**Transfer**” means, when used as a verb, to sell, grant, transfer, assign, dispose of or to commit to do any of the preceding; and when used as a noun, a sale, grant, assignment, transfer, disposal or a commitment to do any of the preceding.
- (zz) “**Underlying Royalties**” means a 1% net smelter return royalty on:
- (i) 100% of the sale value of all minerals produced and all of the products obtained from the El Quevar II concession (as identified in Part 1 of Schedule A); and
 - (ii) 50% of the sale value of all of the minerals produced and all of the products obtained from the Castor concession (as identified in Part 1 of Schedule A),
- payable to Cascadero Minerals S.A. (as successor in interest to Salta Exploraciones S.A.) pursuant to the Underlying Royalty Agreement.
- (aaa) “**Underlying Royalty Agreement**” means the Contrato de Exploracion con Option a Compra dated March 16, 2006 between Salta Exploraciones S.A. and Silex.
- (bbb) “**Underlying Royalty Concessions**” means the El Quevar II and Castor concessions (as identified as such in Part 1 of Schedule A).
- (ccc) “**\$**” means United States dollars.
- 1.2 **Gender, Number and Other Terms.** Unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing gender include all genders, words importing persons includes individuals, partnerships, associations, trusts, unincorporated organizations and corporations, “or” is not exclusive and “including” is not limiting, whether or not non-limiting language (such as “without limitation”) is used.
- 1.3 **Headings.** The inclusion of headings in this Agreement is for convenience only and does not affect the construction or interpretation of this Agreement.
- 1.4 **Statutes.** Unless otherwise stated, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant to it, with all amendments thereto, and to any statute or regulations that may be passed that supplement or supersede such statute or such regulations.
- 1.5 **No Contra Preferentum.** The Parties intend that the language in this Agreement be construed as a whole and neither strictly for nor strictly against any of the Parties.
- 1.6 **Governing Law and Attornment.** This Agreement is governed by and construed in accordance with the law of British Columbia and the law of Canada, without regard to principles of conflicts of law that would impose a law of another jurisdiction. Except as set forth in Section 8.2, the Parties shall refer all disputes and claims, whether for damages, specific performance, injunction, declaration or otherwise, both at law and equity, arising out

of, or in any way connected with, this Agreement to the courts of British Columbia and each of the Parties hereby attorns to the jurisdiction of the courts of British Columbia.

1.7 **Schedules.** Attached to and forming part of this Agreement are the following Schedules:

Schedule A	-	Properties
Schedule B	-	Form of Shareholders' Agreement
Schedule C	-	Underlying Royalty Agreement
Schedule D	-	Permits
Schedule E	-	Form of Services Agreement
Schedule F	-	Silver Royalty Agreement
Schedule G	-	Form of Subscription Agreement
Schedule H	-	Disclosure Schedule

1.8 **Meaning of Knowledge.** Any representation or warranty that is made on the basis of the knowledge or awareness of the Golden Entities, or any of them, shall be deemed to refer to the best of the knowledge or awareness of the current officers and senior employees of the Golden Entities whose employment responsibilities relate to the matter in question after reviewing all relevant records and making due inquiries regarding the relevant matter in question.

1.9 **Currency Exchange.** Expenditures that are incurred in Argentinean pesos shall be valued in United States dollars for the purposes of determining whether the requirements of Sections 4.10 and 5.2 have been met, based on the daily rate posted by BCRA (Reserve Bank of Argentina) on their official website.

2. REPRESENTATIONS AND WARRANTIES

2.1 **Golden Entities' Representations and Warranties.** The Golden Entities hereby represent and warrant, jointly and severally, to Barrick that:

- (a) each Golden Entity is a corporation duly organized and validly existing in the jurisdiction of its incorporation and is qualified to do business and in good standing under the laws of: (i) Delaware, United States, in the case of Golden US, (ii) Luxembourg, in the case of Golden Lux, (iii) Spain, in the case of Golden Spain, and (iv) Argentina (including any local Law of the province of Salta), in the case of Silex;
- (b) all of the issued and outstanding shares and other securities of Silex are held, legally and beneficially by Golden Lux and Golden Spain, free and clear of all Encumbrances, other than Encumbrances for Taxes not yet due and payable ("**Permitted Tax Encumbrances**"), and no Person other than Golden Spain has any right to acquire or vote any shares or other securities of Silex (other than the single share held by Golden Lux); all of the issued and outstanding shares and other securities of Golden Spain are held, legally and beneficially by Golden Lux, free and clear of all Encumbrances (other than Permitted Tax Encumbrances) and no Person other than Golden Lux has any right to acquire or vote any shares or other securities of Golden Spain; and all of the issued and outstanding shares and other securities of Golden Lux are held, legally and

beneficially by Golden US, free and clear of all Encumbrances (other than Permitted Tax Encumbrances) and no Person other than Golden US has any right to acquire or vote any shares or other securities of Golden Lux;

- (c) each of them has the legal capacity to enter into and perform this Agreement and all transactions contemplated herein and all necessary corporate approvals and authorizations (including, without limitation, all required shareholder approvals) required to authorize it to enter into and perform this Agreement, in each case have been properly obtained and are in full force and effect;
- (d) this Agreement has been duly executed and delivered by each of them and is valid and binding upon each of them in accordance with its terms, except as such enforceability may be affected by applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws affecting creditors' rights generally, or by general principles of equity;
- (e) no consent or approval of any Governmental Authority or other Person is required for the execution, delivery or performance by it of this Agreement;
- (f) none of them is subject to any governmental order, judgment, decree, debarment, sanction or Laws that would preclude or prevent the entering into this Agreement or the performing of its actions as contemplated herein, or the permitting or implementation of Operations under this Agreement;
- (g) each of them is solvent, able to pay its indebtedness as it matures, and has capital sufficient to carry on its business, and does not contemplate filing a proceeding in any jurisdiction for bankruptcy or insolvency;
- (h) no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on its behalf;
- (i) (i) Silex is in exclusive possession of and is the sole legal and beneficial owner of the Properties free from all Encumbrances (except for Permitted Encumbrances) and has good and marketable title to the Concessions and the Easements comprising a portion of the Properties as well as the Exploration Camp; (ii) no Person (other than Silex and Barrick pursuant to this Agreement) has any interest in or to any of the Properties or any right to acquire any interest in or to any of the Properties; and, without limiting the generality of the foregoing, none of the Golden Entities is a party to, or bound by, and there are no, agreements or options to grant, convey or reserve any interest or any right capable of becoming an interest in any of the Properties; (iii) the Concessions and the Easements are validly in force pursuant to all applicable Laws; (iv) the Properties are in good standing and all obligations and requirements to keep the Properties valid and in good standing including the provisions of all Laws have been complied with; (v) there are no actual, pending or, to the knowledge of the Golden Entities, threatened claims, actions or procedures, of any kind, including judicial or other applications of easement over the surface area of the Properties that have or could affect the free exploration, exploitation, ownership, possession or tenancy of those Properties; (vi) except as disclosed in Section 2.1(i) of Schedule H, there are no third

parties holding mining rights or mining petitions or claims which to the knowledge of the Golden Entities have been asserted that have or could have a preferential right over the Concessions; (vii) to the knowledge of the Golden Entities, no Person has requested or claimed mining rights over the same area covered by the Concessions; (viii) none of the Concessions or the Easements are subject to cancellation or forfeiture and the Golden Entities are not aware of any matter which could be reasonably expected to prejudice the renewal of those Concessions or Easements or of any outstanding obligations in relation to those Concessions and Easements; (ix) the Golden Entities have performed all obligations required to be performed by them under any contracts or applicable Laws related to the Properties to which they have been a party or subject to and were not and are not in default under any such contract or applicable Laws; and (x) none of the Golden Entities has received any notice that the water concession applications described Part 3 of Schedule A have been denied or are in any way deficient, incomplete or invalid, and such applications are being processed in the ordinary course; there have been no objections or challenges to the water concession applications described Part 3 of Schedule and to the knowledge of the Golden Entities, there is no basis for any objection or challenge;

- (j) as of the date hereof, none of the Golden Entities directly or indirectly own or hold within the Area of Interest (as defined in Section 17.1) any mining rights other than as set out in Schedule A;
- (k) Silex does not own or hold surface land in excess of the thresholds set forth by the Argentine Rural Land Law # 26,737;
- (l) except as disclosed in Section 2.1(l) of Schedule H, there is no overlapping between the Properties and (i) hydrocarbons permits, licenses or concessions, and/or (ii) renewable energy projects; and /or (iii) protected areas potentially affecting the development of the Properties, and/or indigenous communities;
- (m) to the knowledge of the Golden Entities there are no Laws preventing or affecting the development of the Properties as currently contemplated by Silex and/or the conduct of exploration activities thereon, except as disclosed in Section 2.1(m) of Schedule H;
- (n) no Person has any royalty or other interest whatsoever in production from all or any part of the Concessions other than the Underlying Royalties and the royalties payable under applicable Law to the federal Government of Argentina or the provincial Government of Salta; the Underlying Royalties will be payable only on the Underlying Royalty Concessions and no other part of the Concessions or any other mining rights are subject to the Underlying Royalties;
- (o) a true, correct and complete copy of the Underlying Royalty Agreement is attached in its entirety as Schedule C and there are no other agreements between any of the Golden Entities and any other Person pertaining to any of the Properties; the Underlying Royalty Agreement is a legal, valid, binding and to the knowledge of the Golden Entities, enforceable agreement in full force and effect; Silex has observed and performed all of its covenants under the Underlying Royalty Agreement; all of Silex's rights under the Underlying Royalty Agreement are in good standing and in full force

and effect; there has been no default by any party under the terms of such agreement; no notice of termination of or default or failure under the Underlying Royalty Agreement has been given by either party thereto; and all provisions of the Underlying Royalty Agreement have been duly performed and complied with by Silex, and to Silex's knowledge, by the other party thereto; and Silex has not assigned the Underlying Royalty Agreement in whole or in part and Silex is entitled to the full benefit of the Underlying Royalty Agreement; publicly available records as of the date hereof reflect that Cascadero Minerals S.A. is the sole owner of the Underling Royalty and to the knowledge of the Golden Entities, except as set forth in Schedule 2.1(o) of Schedule H, no other Person has any right or interest in the Underlying Royalty;

- (p) Silex has all necessary surface and access rights under the Mining Code to conduct exploration activities it has conducted or is conducting on the Properties; except as disclosed in Section 2.1(p) of Schedule H no private surface or access rights are held by any third parties within the Area of Interest; the easements and the applications for water concessions comprising a portion of the Properties have been duly registered, recorded, and issued pursuant to all applicable Laws in the Province of Salta and are in good standing, and the information in Part 2 and Part 3 of Schedule A is complete and accurate;
- (q) all rentals, taxes, duties, royalties, rates, charges, fees or other levies of every nature and kind heretofore levied against the Properties have been fully and timely paid and satisfied;
- (r) Except as disclosed in Section 2.1(r) of Schedule H, there are no environmental or other liabilities, claims or circumstances relating to the Properties which affect or might be reasonably be expected to affect the Properties; except as disclosed in Section 2.1(r) of Schedule H, all activities on or in relation to the Properties up to the Effective Date (including but not limited to: performance of minimum assessment work and filing of reports with respect to minimum assessment work, obtaining an environmental insurance policy if and when applicable, glacier revaluation under Law # 26,639 when applicable, ILO 169 indigenous consultation when applicable, requirements under any Law related to protected areas if and when applicable) performed by or on behalf of Silex and, to the knowledge of the Golden Entities, any other third party, have been in compliance with all applicable Laws including all Environmental Laws and all of the Permits (with respect to activities performed by or on behalf of Silex) and no conditions exist which could give rise to the making of a remediation order or similar order in respect of the Properties, or which could reasonably be expected to subject Barrick, any of its Affiliates, or OPCO or JVCO when incorporated, to any liability. Without limiting the foregoing:
 - (i) none of the Golden Entities has received from any Governmental Authority or any other Person any notice of, or communication relating to, any actual or alleged breach of any Laws including Environmental Laws and Permits and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Properties or any operations carried out thereon; and

- (ii) there have to the knowledge of the Golden Entities been no spills, discharges, leaks, emissions, ejections, escapes, dumpings or other releases of any kind of any toxic or hazardous substances in, on or under the Properties or the environment surrounding it and there is to the knowledge of the Golden Entities no presence of polychlorinated biphenyl in, on or under the Properties;
- (s) except as described in Section 2.1(s) of Schedule H, the Properties are free and clear of all unprotected open mine shafts, mine openings or workings, open pits, rock stockpiles, mine tailings or waste materials;
- (t) (i) Silex holds, and at all times has held, all licenses, franchises, permits, orders, consents, approvals, registrations, authorizations, concessions, qualifications and filings with and under all applicable Laws necessary for the lawful conduct of its activities on the Properties, all of which are listed in Schedule D (the “**Permits**”); (ii) all such Permits are in full force and effect; (iii) Silex has complied with the terms of the Permits and there are no pending modifications, amendments or revocations of any such Permits; (iv) Silex has timely applied for all required renewals and updates of such Permits as needed to conduct its operations on the Properties; (v) there are no pending or, to the knowledge of the Golden Entities, threatened legal, administrative, regulatory or other suits, actions, claims, audits, assessments, arbitrations or other proceedings or investigations or inquiries with respect to the possible revocation, cancellation, suspension, limitation or nonrenewal of any Permits, and there has occurred no event which (whether with notice or lapse of time or both) could reasonably be expected to result in or constitute the basis for such a revocation, cancellation, suspension, limitation or nonrenewal thereof; and (vi) true, correct and complete copies of all of the Permits have been delivered to Barrick by Silex. Except for additional permits and approvals that Barrick may need in connection with its Operations, no consent or approval of any Governmental Authority or any other Person is required under or in respect of any Permit for the execution, delivery or performance of this Agreement (including without limitation, the right of Barrick or its Affiliates to conduct their Operations under the Permits or the transfer of the Properties and the Permits by Silex to OPCO when incorporated), and the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the performance by Silex of its obligations hereunder will not result in the suspension, cancellation, revocation, impairment, forfeiture or nonrenewal of any Permit;
- (u) to the knowledge of the Golden Entities, Silex has delivered to or made available for inspection by Barrick all information concerning title to the Properties in its possession or control and has delivered to or made available for inspection by Barrick all Existing Data in its possession and control;
- (v) Silex has conducted all exploration activities and other operations on the Properties in accordance with sound mining, environmental and other applicable mining industry standards and practices and in compliance with the terms and provisions of any applicable leases, Permits, contracts and other agreements and authorizations pertaining to the Properties;

- (w) the Golden Entities have the unrestricted right to deliver the Existing Data to Barrick pursuant to this Agreement and to transfer title of the Properties, Permits and Underlying Royalty Agreement to OPCO in accordance with the terms of this Agreement; and
- (x) the Properties are all located in the Province of Salta and to the knowledge of the Golden Entities outside of any current border dispute areas with the neighboring province of Jujuy. To the knowledge of the Golden Entities neither the Province of Jujuy nor any other third parties different from Silex have or are entitled to claim ownership rights over the Properties;
- (y) the execution and delivery of this Agreement by the Golden Entities and the grant of rights to Barrick under this Agreement will not conflict with or be in contravention of any Law or conflict with rights of third parties or result in a breach of or default under any agreement or other instrument of obligation to which any of the Golden Entities is a party or by which any of the Golden Entities or the Properties may be bound;
- (z) there are not any suits, actions, investigations, prosecutions, proceedings, claims or disputes, actual, pending or to the knowledge of the Golden Entities threatened, against or affecting any of the Golden Entities that relate to or could have an adverse effect on the Properties and to the knowledge of the Golden Entities there are no grounds on which any such suit, action, prosecution, investigation or proceeding might be commenced;
- (aa) none of them, nor any of their respective directors, officers, employees or agents has knowingly offered or given on its behalf, anything of value to any official of a Governmental Authority, any political party or official thereof or any candidate for political office, for the purpose of any of the following:
 - (i) influencing any action or decision of such person in such person's official capacity, including a decision to fail to perform such person's official function in order to obtain or retain an advantage in the course of business;
 - (ii) inducing such person to use such person's influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority to assist it in obtaining or retaining business for, with, or directing business to, any person or otherwise to obtain or retain an advantage in the course of business; or
 - (iii) where such payment would constitute a bribe, rebate, payoff, influence payment, kickback or illegal or improper payment to assist it in obtaining or retaining business for, with, or directing business to, any person;
- (bb) none of them nor any of their respective directors, officers, employees or agents has taken any action that would cause it to be in violation in any material respect of any Anti-Corruption Law; and

(cc) there are no indigenous community settlements that are located within the area of the Properties; to the knowledge of the Golden Entities there are no indigenous rights or other interests that are currently asserted in respect of the Properties.

2.2 **Barrick's Representations and Warranties.** Barrick hereby represents and warrants to each of the Golden Entities that:

- (a) it is a corporation duly organized and validly existing in the jurisdiction of its incorporation and it or Barrick Sub is qualified to do business and in good standing under the laws of Argentina and the Province in which the Properties are located;
- (b) it has the legal capacity to enter into and perform this Agreement and all transactions contemplated herein and all necessary corporate approvals and authorizations required to authorize it to enter into and perform this Agreement, in each case have been properly obtained and are in full force and effect;
- (c) the execution and delivery of this Agreement by Barrick will not conflict with or result in a breach of or default under any agreement or other instrument of obligation to which Barrick is a party or by which it may be bound;
- (d) this Agreement has been duly executed and delivered by and constitutes a legal, valid and binding obligation of Barrick, valid and binding upon Barrick in accordance with its terms; except as such enforceability may be affected by applicable bankruptcy, reorganization, insolvency, moratorium, or similar Laws affecting creditors' rights generally, or by general principles of equity;
- (e) no consent or approval of any Governmental Authority or other Person is required for the execution, delivery and performance by it of this Agreement, except for the need for any Other Permits to conduct its Operations and if applicable, pursuant to Law 27442; and
- (f) it is not subject to any governmental order, judgment, decree, debarment, sanction or Laws that would preclude or prevent the entering into this Agreement or the performing of its actions as contemplated herein, or the permitting or implementation of Operations under this Agreement.

2.3 **Exclusive Benefit of Representations and Warranties.**

- (a) The representations and warranties contained in Section 2.1:
 - (i) are provided for the exclusive benefit of Barrick and a breach of any one or more of them may be waived by Barrick in writing in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty; and
 - (ii) subject to the limitations set forth in Section 10.5, shall survive the execution and delivery of this Agreement, the exercise of the Option hereunder by Barrick and the termination of this Agreement.

- (b) The representations and warranties contained in Section 2.2:
- (i) are provided for the exclusive benefit of each of the Golden Entities and a breach of any one or more of them may be waived by any of the Golden Entities in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty; and
 - (ii) subject to the limitations set forth in Section 10.5, shall survive the execution and delivery of this Agreement, the exercise of the Option hereunder by Barrick and the termination of this Agreement.

2.4 **Limitation of Warranties.** It is agreed between the Parties that any technical, economic or geological information of any nature, including without limitation any studies, reports, mining models, assays, drill hole data, geochemical reports, recovery reports and other information concerning the Properties and the existence, location, quantity, quality or value of any minerals thereon or therein, provided to, or made available by one Party to another Party under this Agreement, including without limitation pursuant to Sections 7.1 and 11.1, is provided without representation or warranty and is at the sole risk of the Party receiving the same. Such information is provided “AS IS, WHERE IS” and EACH PARTY EXPRESSLY DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES CONCERNING THE SAME, AND EXPRESSLY EXCLUDES ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE.

3. SUBSCRIPTION FOR SHARES

3.1 The Parties acknowledge and agree that concurrent with the execution of this Agreement, Barrick shall enter into a subscription agreement with Golden US in the form attached hereto as Schedule G (the “**Subscription Agreement**”) whereunder Barrick will subscribe for common shares of Golden US for an aggregate subscription price of \$1,000,000.

4. GRANT OF EXPLORATION RIGHTS

4.1 **Grant of Exploration Rights.** Silex hereby irrevocably grants to Barrick and its servants, agents and independent contractors, for the entire Option Period, the sole and exclusive (subject to Silex’s rights and obligations under Sections 4.4 and 10.2) right and option to:

- (a) enter upon and have immediate possession of the Properties;
- (b) carry out Operations on the Properties as Barrick may in its sole discretion determine;
- (c) bring and install on the Properties and remove from time to time such buildings, plant, machinery, equipment, tools, appliances and supplies (excluding any buildings, plant, machinery, equipment, tools, appliances and supplies owned by Silex or any of its contractors) as Barrick may deem necessary; and
- (d) remove from the Properties reasonable quantities of rocks, ores, minerals and metals and to transport the same for the purpose of sampling, testing and assaying.

The Golden Entities acknowledge and agree that Barrick may enter into an intercompany services agreement with Barrick Sub so that the latter may carry out any or all of the above activities. For greater certainty, none of the Golden Entities shall, subject to Silex's rights and obligations under Sections 4.4 and 10.2, carry out any Operations or other mining activities on the Properties during the Option Period and Silex shall provide to Barrick written evidence of the foregoing limitation, in form satisfactory to Barrick acting reasonably, filed with the appropriate Governmental Authority.

- 4.2 **Standard of Conduct.** In exercising its rights under Section 4.1, Barrick shall, and shall cause its Affiliates to, comply with all applicable Laws and Permits and Other Permits and carry out Operations in a good and workmanlike manner and in substantial accordance with sound mining and other applicable industry standards and practices.
- 4.3 **Control of Operations During Option Period.** During the Option Period, Barrick has the sole right to determine the nature, timing, scope, extent and method of all Operations without any obligation to obtain the approval or consent of any of the Golden Entities.
- 4.4 **Silex to Provide Camp Services.** From and after the Effective Date Silex shall continue to operate and manage the Exploration Camp, pursuant to the services agreement to be entered into between Golden US, Silex and Barrick concurrently with the execution of this Agreement in the form attached hereto as Schedule E (the "**Services Agreement**"). Notwithstanding the foregoing, at any time after the earlier of:
- (a) Barrick having incurred the Expenditure Commitment, or
 - (b) there having been a change in Control of any of the Golden Entities,

Barrick may terminate the Services Agreement and appoint Barrick Sub or any other qualified Person as the operator or manager of the Exploration Camp. Barrick Sub and/or any qualified Person appointed by Barrick to operate or manage the Exploration Camp shall do so in accordance with applicable Laws and applicable industry standards and practices, and shall maintain the Exploration Camp and the equipment and facilities thereon in a neat, orderly and sanitary manner. Such operator or manager shall properly maintain all of the equipment at the Exploration Camp in such a manner as to keep it in good working condition, reasonable wear and tear excepted. For the purposes of this Agreement, any payments or reimbursements made by Barrick under the terms of the Services Agreement shall be deemed to be Expenditures.

- 4.5 **Concession Maintenance Obligations.** Unless this Agreement is terminated earlier, during the Option Period, Barrick shall timely pay and perform the Concession Maintenance Obligations.
- 4.6 **Liens and Encumbrances.** Barrick shall keep the title to the Properties free and clear of all Encumbrances resulting from its Operations other than Permitted Encumbrances and Encumbrances arising or resulting from pre-existing conditions or circumstances prior to the Effective Date or acts or omissions of Silex.

- 4.7 **Reclamation and Remediation.** If this Agreement is terminated and Barrick does not exercise the Option, Barrick shall reclaim and remediate the Properties, to the extent disturbed by Barrick during the Option Period but excluding any disturbances or environmental conditions that existed prior to the Effective Date (except to the extent the same were re-disturbed by Barrick) or resulting from any acts or omissions of Silex, in accordance with applicable Laws. Silex, to the extent it is legally able to do so, hereby agrees to grant to Barrick and its servants, agents and independent contractors such access to the Properties following termination as is reasonably necessary to complete such reclamation work. If Barrick exercises the Option and the Parties enter into the Shareholders' Agreement, the reclamation obligations associated with any disturbances of the Properties made by Barrick during the Option Period shall become obligations of JVCO and OPCO.
- 4.8 **Covenants of Golden Entities.** The Golden Entities, jointly and severally, shall, and after the transfer of the Properties, Permits and Underlying Royalty Agreement to OPCO pursuant to Section 9.1, shall cause JVCO and OPCO to:
- (a) subject to the payment and performance of the Concession Maintenance Obligations to be made and performed by Barrick pursuant to Section 4.5, take all actions necessary to maintain the Properties, as valid and in good standing in the name of Silex and after the transfer of the Properties to OPCO pursuant to Section 9.1 in the name of OPCO, and promptly inform Barrick of any occurrence or non-occurrence that is likely to affect the validity or good standing of the Properties;
 - (b) maintain the Permits in Silex's name and after the transfer of the Permits to OPCO pursuant to Section 9.1 in the name of OPCO, and after the Effective Date obtain and maintain all Other Permits (that are in Silex's name pursuant because they cannot legally be in Barrick's name and subject to the provisions of Section 4.9(e)) in Silex's name and after the transfer of the Permits to OPCO pursuant to Section 9.1 in the name of OPCO; maintain the Permits and all such Other Permits in good standing; authorize Barrick and any of its Affiliates designated in writing to carry on Operations under such Permits (and any Other Permits that are in Silex's name because they cannot legally be in Barrick's name), and Silex shall provide all such powers of attorney or other authorizations as are required by Barrick in respect of the foregoing;
 - (c) not grant any Encumbrance nor cause or permit any Encumbrances (other than Permitted Encumbrances (provided that the Golden Entities shall be responsible for any of the matters set forth in paragraphs (ii) or (iii) of the definition of Permitted Encumbrances when they become due, other than such matters which are Barrick's responsibility under this Agreement) to be placed on or against any of the Properties, the Permits or the Underlying Royalty Agreement or on or against JVCO or OPCO or their respective assets;
 - (d) comply with all applicable Laws;
 - (e) promptly notify Barrick of any event, circumstance, notice or claim that may occur, take place or be received at any time after the Effective Date that would make any of the representations and warranties set forth in Section 2.1 not true, correct and

complete if deemed made at the time such event, circumstance, notice or claim occurs, takes place or is received by any Golden Entity;

- (f) promptly notify Barrick of any notice or communication received from any Person which affects or could reasonably be expected to affect JVCO, OPCO or any of the Properties, the Permits or the Underlying Royalty Agreement or the rights of Barrick in relation to any of the foregoing;
- (g) promptly notify Barrick of any litigation, arbitration, proceeding or claim which is brought or threatened against Silex, JVCO, OPCO or any of the Properties, the Permits or the Underlying Royalty Agreement and defend in good faith, and at their cost and expense, any and all such litigation, arbitration, proceeding or claim;
- (h) not commence any litigation, arbitration or other proceeding against any third party which affects or may affect the Properties, the Permits or the Underlying Royalty Agreement or the validity or enforceability of this Agreement, without Barrick's prior approval not to be unreasonably withheld;
- (i) take no action or inaction to invalidate any third party consents or approvals delivered in connection with this Agreement;
- (j) promptly do and perform all further acts and execute and deliver all further documents (in form and consent reasonably satisfactory to Barrick) required by Applicable Law or reasonably requested by Barrick to give effect to the provisions of this Agreement and the transactions contemplated hereby;
- (k) undertake all legal proceedings requested by Barrick and necessary to establish the validity and enforceability of the Properties and the Permits in accordance with Applicable Laws, at Barrick's expense unless such proceedings are required in respect of circumstances or conditions existing prior to the Effective Date or resulting from any acts or omissions of Silex, OPCO or JVCO, in which case at the Golden Entities' expense; and
- (l) discharge any Encumbrances (other than Permitted Encumbrances) on or in respect of the Properties and rectify any other issues with respect to title to the Properties as may be necessary and as soon as reasonably practicable provide Barrick with copies of such recording or other documentation in respect of such actions.

4.9 Additional Covenants of Barrick. Barrick shall:

- (a) promptly notify the Golden Entities of any notice or communication received from any Person which affects or could reasonably be expected to affect any of the Properties, the Permits, the Other Permits or the Underlying Royalty Agreement or the rights of the Golden Entities in relation to any of the foregoing;
- (b) promptly notify the Golden Entities of any litigation, arbitration, proceeding or claim which is brought or threatened against Barrick, Barrick Sub or any of the Properties, the Permits, the Other Permits or the Underlying Royalty Agreement and, to the extent the same pertain to Barrick's Operations and do not arise or result from pre-existing

conditions or circumstances prior to the Effective Date or acts or omissions of Silex or OPCO, defend in good faith, and at its cost and expense, any and all such litigation, arbitration, proceeding or claim;

- (c) not commence any litigation, arbitration or other proceeding against any third party which affects or may affect the Properties, the Permits, the Other Permits or the Underlying Royalty Agreement or the validity or enforceability of this Agreement, without the prior approval of the Golden Entities not to be unreasonably withheld;
- (d) if it exercises its rights under Section 4.5, maintain in good operating condition the Exploration Camp and all related installations (water wells, sanitary facilities, generators, drill core storage, etc.), reasonable wear and tear excepted;
- (e) after the Effective Date obtain and maintain all Other Permits (except for such Other Permits which cannot legally be in Barrick's name, with respect to which Barrick shall promptly reimburse the Golden Entities, upon receipt of an invoice therefor, for all reasonable costs and expenses incurred by the Golden Entities for obtaining and maintaining those Other Permits, including fees, costs and expenses of third party consultants who assist the Golden Entities in that process), and maintain those Other Permits in good standing;
- (f) promptly provide the Golden Entities any information they reasonably request for purposes of satisfying U.S. tax reporting requirements with respect to JVCO or OPCO, including for purposes of making U.S. federal income tax elections and including information required to determine OPCO's status as a controlled foreign corporation for U.S. income tax purposes;
- (g) promptly notify the Golden Entities upon hiring of a third-party independent consultant or consultants to prepare the Pre-Feasibility Study or the commencement of preparation of the Pre-Feasibility Study if that study is being prepared internally by Barrick; and
- (h) use commercially reasonable efforts to maintain adequate community relations in accordance with Barrick's customary practice, but subject to and taking into account the state of community relations as at the Effective Date.

4.10 **Commitments.** As consideration for the grant of the Option, Barrick agrees to incur the following Expenditures:

- (a) the sum of \$500,000 on or before the 1st anniversary of the Effective Date; and
- (b) the further sum of \$500,000 on or before the 2nd anniversary of the Effective Date, (collectively, the "**Expenditure Commitment**").

5. **OPTION**

5.1 **Grant of Option.** The Golden Entities hereby irrevocably grant to Barrick the sole and exclusive right and option to acquire a 70% interest in and to the Properties free and clear of

all Encumbrances other than Permitted Encumbrances (which interest will be represented as a 70% shareholding interest in JVCO), exercisable in the manner described in Section 5.2 (the “**Option**”). Upon exercise of the Option, Barrick’s indirect interest in the Properties will be a 70% interest and Golden Lux’s indirect interest in the Properties will be a 30% interest, in each case, represented by their respective shareholding interests in JVCO, which shall wholly own OPCO (as described in Section 9.1).

- 5.2 **Conditions to Exercise the Option.** To exercise the Option, in addition to the Expenditure Commitment, Barrick must:
- (a) subject to Section 6.1, 6.2, 6.3, 6.5 and 6.7, incur the following additional Expenditures:
 - (i) the sum of \$1,000,000 on or before the 3rd anniversary of the Effective Date;
 - (ii) the further sum of \$1,000,000 on or before the 4th anniversary of the Effective Date;
 - (iii) the further sum of \$1,000,000 on or before the 5th anniversary of the Effective Date;
 - (iv) the further sum of \$2,000,000 on or before the 6th anniversary of the Effective Date;
 - (v) the further sum of \$2,000,000 on or before the 7th anniversary of the Effective Date;
 - (vi) the further sum of \$2,000,000 on or before the 8th anniversary of the Effective Date;
 - (b) deliver a Pre-Feasibility Study to Silex on or before the 8th anniversary of the Effective Date; and
 - (c) subject to Section 5.3, at any time after Barrick has (i) incurred the Expenditures required under Section 4.10 and 5.2(a), and (ii) delivered a Pre-Feasibility Study as required under Section 5.2(b), but no later than 60 days after the 8th anniversary of the Effective Date, give Golden US Notice that Barrick has completed the requirements and has elected to exercise the Option (a “**Notice of Exercise**”).
- 5.3 **Failure to Give Notice of Exercise.** If Barrick fails to give the Notice of Exercise to Golden US before or within 60 days after the 8th anniversary of the Effective Date, Golden US shall give Barrick Notice of such failure (“**Notice of Failure**”). Notwithstanding anything to the contrary elsewhere in this Agreement, Barrick’s right to exercise the Option by giving Notice of Exercise to Golden US under Section 5.2(c) will continue and the deadline by which Barrick must give its Notice of Exercise pursuant to Section 5.2(c) will be 30 days after the receipt of the Notice of Failure.
- 5.4 **Exercise of Option and Formation of JV.** Upon Barrick or an Affiliate designated by Barrick exercising the Option in compliance with Section 5.2, or as set forth in Section 5.3

(the “**JV Formation Date**”), provided that if any approvals from any Governmental Authority are required to be obtained by Barrick prior to it receiving its shareholding interest in JVCO and entering into the Shareholders Agreement, the JV Formation Date shall, at Barrick’s option, be extended to the 10th Business Day after the date upon the last of such approvals are obtained:

- (a) Barrick or an Affiliate designated by Barrick shall contribute to JVCO all of its right and interest in and to the Technical Data (except for any of the same that constitutes Proprietary Property) obtained from its Operations, and in the Other Permits, valued at an amount equal to the Expenditures incurred by Barrick and its Affiliates as a contribution in kind to the capital stock of JVCO;
- (b) the resulting shareholding interests in JVCO shall be as follows: Barrick or an Affiliate designated by Barrick - 70% and Golden Lux - 30%;
- (c) the agreed value of Barrick (or its designated Affiliate’s) Equity Capital (as that term is defined in the Shareholders’ Agreement) shall be an amount equal to the aggregate Expenditures incurred by it from the Effective Date to the JV Formation Date and the agreed value of Golden Lux’s Equity Capital will be in the same proportion to the value of Barrick’s initial Equity Capital as the initial shareholding interest of Golden Lux (30%) is to the initial shareholding interest of Barrick or its designated Affiliate (70%).

5.5 **Shareholders Agreement.** Upon the completion of the above transactions in Section 5.4:

- (a) Barrick (and if applicable its designated Affiliate), Golden US, Golden Lux and JVCO will enter into a shareholders’ agreement in the form of the Shareholders’ Agreement (with such modifications contemplated therein as applicable to be made by Barrick).
- (b) The board of directors of JVCO shall be comprised of at least three individuals, at least two of whom shall be nominated by Barrick and one of whom shall be nominated by Golden Lux, as more fully described in the Shareholders’ Agreement and the OPCO board will be reconstituted by JVCO.
- (c) Barrick and Golden Lux shall cause OPCO to agree to pay to Golden Lux or its Affiliated designee a 5% net smelter returns royalty on silver on the terms set forth in the royalty agreement attached hereto as Schedule F (the “**Silver Royalty**”).

5.6 **Responsibility.** Barrick shall bear all costs and liabilities associated with the contribution by Barrick to JVCO pursuant to Section 5.4(a) and shall defend, indemnify and save harmless Golden Lux from and against all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against JVCO by any Person and all losses, costs, expenses, damages and liabilities (including Tax liabilities) that may be suffered or incurred by JVCO arising out of or in connection with such contribution.

5.7 **Continued Work Program.** Barrick may, subsequent to the JV Formation Date, continue the then current work program to completion or may terminate such program in as orderly a fashion as it considers advisable. Barrick may include, as part of the first proposed Program

and Budget delivered under the Shareholders' Agreement, any Expenditures incurred by Barrick under this Section 5.37.

- 5.8 **Shareholders' Agreement.** The Shareholders' Agreement will supersede this Agreement, except that all rights and liabilities (but no obligations other than (i) obligations associated with a breach hereunder and (ii) indemnifications obligations) of each Party under this Agreement in existence on the effective date of the Shareholders' Agreement will continue and survive the termination of this Agreement and the Parties signing the Shareholders' Agreement.
- 5.9 **Termination for Failure to Incur Expenditures.** Subject to Sections 6.1, 6.2, 6.3, 6.5 and 8.2, if Barrick fails to incur the Expenditure Commitment or the Expenditures required pursuant to Section 5.2(a), in whole or in part, or fails to deliver a Pre-Feasibility Study pursuant to Section 5.2(b), by the relevant due date for performance and it has not performed the relevant portion of the Expenditure Commitment or Expenditures required pursuant to Section 5.2(a) within 30 days of Notice from Golden US after the due date for performance of the default, which Notice must include reasonable details of the alleged default, or fails to give the Notice of Exercise to Golden US within 30 days after the effective date of delivery of the Notice of Failure, then Golden US may by Notice to Barrick, terminate the Option and this Agreement except for Sections 1.1-1.8, 2.3, 2.4, 4.7, 6.6, 10.1, 10.3, 10.4, 10.5, 13.1, 16.5 and 17.6, as well as Article 15.
- 5.10 **Barrick's Right to Terminate Option.** Barrick may at any time after the performance of the Expenditure Commitment (unless it has been excused under the terms of this Agreement from performing the Expenditure Commitment), terminate the Option on written Notice to Golden US by providing 30 days' Notice of termination to Golden US (except in the case where Barrick has been excused under the terms of this Agreement from performing the Expenditure Commitment, in which case it may terminate the Option immediately on written Notice to Golden US), whereupon this Agreement, except Sections 1.1-1.8, 2.3, 2.4, 4.7, 6.6, 10.1, 10.3, 10.4, 10.5, 13.1, 16.5 and 17.6, as well as Article 15, will terminate.
6. **ACCELERATION, NON-OBLIGATION AND IN-LIEU PAYMENTS**
- 6.1 **Acceleration.** Barrick may at any time, accelerate any or all of the Expenditure requirements contemplated by Sections 4.10 or 5.2(a).
- 6.2 **In Lieu Payments / Excess Expenditures.** Barrick may at any time within 30 days after the end of any Annual Period pay Golden US money in lieu of incurring Expenditures under Sections 4.10 and 5.2(a), in which event Barrick will be deemed to have incurred Expenditures in the same amount as the amount of any such payment and in satisfaction of such of the provisions of Sections 4.10 and 5.2(a). Any excess Expenditures made or incurred in or with respect to any period will be carried forward and applied as a credit against Expenditures to be made in the next succeeding period or periods.
- 6.3 **Additional Time for Force Majeure.** If Barrick is prevented or delayed by Force Majeure from incurring Expenditures in the amounts and timeframe provided in Sections 4.10 and 5.2(a), completing a Pre-Feasibility Study as required under Section 5.2(b), or otherwise

performing any of its obligations under this Agreement, Barrick shall promptly notify the Golden Entities, and if Barrick has provided such notice, then:

- (a) Barrick will have such additional time after the Force Majeure event ceases to exist as is equal to the duration of the Force Majeure event to incur such Expenditures, deliver such studies, and/or perform such other obligations in such amounts and times; and
- (b) all subsequent deadlines by which Barrick is required to perform any of its obligations under this Agreement shall also be extended by the same period of time as the duration of the Force Majeure event.

- 6.4 **Non-Obligation.** The Parties acknowledge and agree that Barrick is obligated to incur the Expenditure Commitment (subject to Section 6.5 and 6.6), but Barrick has the right and option but not the obligation to incur any other Expenditures and to deliver a Pre-Feasibility Study and neither anything that Barrick might do nor any Expenditure that it incurs will obligate it to do anything more or to incur any further Expenditures or to prepare and deliver any such studies or reports.
- 6.5 **Inaccurate Representations and Warranties.** If Barrick determines that there are reasonable grounds for belief or concern that any of the representations and warranties of the Golden Entities in Sections 2.1(a) through 2.1(g), 2.1(i), 2.1(n), 2.1(o), 2.1(r) or 2.1(x) are in any respect false or untrue as of the date hereof and the Golden Entities fail to correct them to Barrick's reasonable satisfaction within 30 days of Notice from Barrick, then the Expenditure Commitment will cease to be a firm commitment of Barrick and to the extent that Barrick has not yet incurred Expenditures in an amount equal to the Expenditure Commitment (the amount of such deficiency being referred to as the "**Expenditure Deficiency**"), Barrick shall have the right and option but not the obligation to incur Expenditures in an amount equal to the Expenditure Deficiency on or before the 8th anniversary of the Effective Date (rather than the time periods contemplated by Sections 4.10(a) or 4.10(b)).
- 6.6 **Title Curative.** If Silex's title to all or any part of the Properties, or its rights and interest in and to the Permits or the Underlying Royalty Agreement, is or at any time hereafter becomes:
(i) defective, encumbered, or other than as represented in Sections 2.1(i) to 2.1(p) of this Agreement; or
(ii) contested or challenged by any Person, and in either case the Golden Entities are unable or unwilling to promptly correct the alleged defect, Encumbrance, or impairment, or contest or challenge the same; then Barrick shall have the right, but not the obligation, to attempt to remedy, perfect or defend Silex's title. If Barrick elects to remedy, perfect or defend Silex's title, Barrick shall not be liable to any of the Golden Entities if Barrick is unsuccessful in, withdraws from, or discontinues litigation or other curative work. Time being of the essence, if Barrick does attempt to perfect or defend Silex's title, rights and interest in and to the Properties, the Permits or the Underlying Royalty Agreement, Silex shall execute all documents and shall take such other actions as are reasonably necessary to assist Barrick in its efforts. Any improvement or perfection of title to the Properties, all of its right, title and interest in and to the Underlying Royalty Agreements, or the Permits enures to the benefit of Silex, Barrick and JVCO (when and if incorporated) in the same manner and to the same extent as if such improvement or perfection had been made prior to the execution of this Agreement. The rights and remedies of Barrick set out in this Section 6.5 are without

prejudice to, and do not limit, modify or curtail any other right, remedy or recourse that may be available to Barrick under this Agreement or at Law or equity.

- 6.7 **Costs of Title Curative.** If Silex's title to all or any part of the Properties, the Underlying Royalty Agreement, or the Permits is now or at any time hereafter defective, encumbered, or less than as represented in this Agreement then, without limiting or waiving Barrick's rights and remedies provided hereunder or at Law or equity, the costs and expenses of remedying, perfecting or defending title, right or interests in and to the Properties, the Permits or the Underlying Royalty Agreement incurred by or asserted against Barrick or any of its Affiliates, may be counted as Expenditures or may at Barrick's option be deducted from any amounts or payments which may be or become due or payable to any Golden Entity hereunder or under the Shareholders' Agreement.
- 6.8 **Title.** Silex will continue to hold the legal, registered and beneficial title to the Properties, the Permits and the Underlying Royalty Agreement in its name until such time as it is required to transfer the Properties, the Permits and the Underlying Royalty Agreement to OPCO pursuant to Section 9.1.

7. REPORTING

- 7.1 **Reports to Golden US.** During the Option Period, Barrick shall provide to Golden US quarterly reports summarizing Operations conducted during the quarter and results obtained from such Operations. Barrick will provide upon request from the Golden Entities, the specific data-sets requested by Golden Entities resulting from the Operations outlined in such quarterly report. Barrick is not required to disclose any Proprietary Property or any information or data if the disclosure of it would constitute a breach of confidence by Barrick or any of its Affiliates.

8. AUDIT

- 8.1 **Audit of Expenditures.** Barrick shall deliver to Golden US, concurrently with or within 60 days after each two-year anniversary of the Effective Date or such shorter period if shortened due to the exercise of the Option (each, an "**Audit Period**"), a report setting forth in reasonable detail the amount of Expenditures incurred by Barrick during the most recently completed Audit Period. Within 45 days after Golden US receives such report, Golden US may deliver Notice to Barrick that it desires to audit the Expenditures included in the report completed by an independent firm of certified public accountants acceptable to Barrick. If Golden US delivers such Notice, Barrick shall cooperate with the audit and Golden US shall ensure that it is concluded within 90 days following the date of receipt by Barrick of Golden US' Notice. The cost of such audit shall be borne by Golden US unless such such audit reveals a deficiency of the amount of Expenditures by more than 10% of those required to be made pursuant to Section 5.2, in which case Barrick shall bear the cost of such audit. If Golden US does not deliver such Notice, it will be deemed to have waived its right to audit the report, including the Expenditures covered by the report, and will be deemed to have accepted the report (and the Expenditures set forth therein) for all purposes of this Agreement.
- 8.2 **Objection to Expenditures.** Within 45 days following the conclusion of an audit conducted pursuant to Section 8.1, Golden US may give Notice to Barrick (an "**Objection Notice**") if

Golden US believes that there have been any costs or expenses of Barrick that have been included as Expenditures that are not Expenditures. Golden US shall set out in detail in the Objection Notice the basis for its objection to the inclusion of each particular expenditure for which notice is delivered. The Parties shall attempt to resolve the dispute informally and, if the Parties have not resolved the dispute within a period of 60 days of receipt of the Objection Notice, the dispute shall be referred for settlement by final and binding arbitration pursuant to the *International Commercial Arbitration Act* (British Columbia). The place of arbitration will be Toronto. The language of arbitration will be English. There will be one arbitrator who shall have no less than 5 years of expertise in the metals and mining industry as a senior executive, accountant or lawyer and who shall not have been a director, officer or employee of, or contractor or service provider to, any Party for a period of 5 years preceding his or her appointment as an arbitrator.

If it is determined in the informal meeting or the arbitration proceeding that expenditures set forth in the report should not have been included as Expenditures and as a result there is a shortfall in respect of the amount of Expenditures incurred by Barrick with respect to the applicable Audit Period:

- (a) for any Audit Period (other than the last Audit Period), then Barrick may satisfy the shortfall in Expenditures by making a payment to Golden US or incurring additional Expenditures in the amount of the deficiency within 30 days after the determination of the amount of the deficiency (in which case Barrick shall be deemed to have satisfied the applicable Expenditure requirement) and until the expiration of such 30 day period, notwithstanding any other provision to the contrary, Golden US shall not be permitted to provide Notice to terminate the Option and this Agreement;
- (b) if the audit was for the final Audit Period, the exercise of the Option by Barrick and the vesting of a 70% interest in the Properties, through a 70% shareholding interest in JVCO, shall notwithstanding such shortfall, be valid and shall not in any way be affected by the foregoing; and Barrick shall within 90 days of such determination (the “**Cure Period**”) make a payment of the deficiency amount to Golden US to make up any such shortfall.

The failure by Golden US to object to the exclusion of any reported expenditure in the manner and within the time period set out above will be deemed to be an acceptance of the expenditure.

8.3 **No Delay.** If Golden US audits or challenges Barrick’s Expenditures incurred pursuant to Sections 8.1 or 8.2, the rights of Barrick under this Agreement (including the acquisition by Barrick of its 70% interest in the Properties through a 70% shareholding interest in JVCO) and, if applicable, the Shareholders’ Agreement, shall not in any manner be affected or delayed by the audit process and the Parties will continue to discharge their obligations under this Agreement and the Shareholders’ Agreement at the same time as they coordinate the audit process.

9. **JVCO/OPCO**

9.1 Within 90 days of the earlier of:

- (a) Barrick incurring \$1,000,000 of Expenditures; and
 - (b) the second anniversary of the Effective Date, the Golden Entities shall:
 - (i) cause Silex to incorporate a new sociedad anonima in Argentina (“**OPCO**”) with bylaws that are acceptable to Barrick, acting reasonably, and that are consistent with and do not conflict with or contravene the terms of the Shareholders’ Agreement or this Agreement and transfer and assign to OPCO the Properties, the Permits, the Exploration Camp, any Other Permits in Silex’s name and the Underlying Royalty Agreement free and clear of all Encumbrances other than Permitted Encumbrances, and without giving rise of any cost or liability (including any Tax liability) to OPCO;
 - (ii) cause Golden Lux to incorporate a new private company in the United Kingdom under the *Companies Act 2006*, as may be amended, restated or replaced from time to time, or such other jurisdiction as Barrick determines acting reasonably to be registered in England and Wales (“**JVCO**”), with articles of association that are acceptable to Barrick, acting reasonably, and that are consistent with and do not conflict with or contravene the terms of the Shareholders’ Agreement or this Agreement; and
 - (iii) cause the shares of OPCO to be transferred to JVCO in consideration for voting shares of JVCO to be issued in the name of Golden Lux.
- 9.2 The Golden Entities shall bear all costs and liabilities associated with the transactions contemplated by Section 9.1 and shall indemnify and save harmless Barrick from and against all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against OPCO and/or JVCO by any Person and all losses, costs, expenses, damages and liabilities (including Tax liabilities) that may be suffered or incurred by OPCO and/or JVCO, in each case, arising out of or in connection with such transactions.
- 9.3 If Barrick elects for JVCO to be incorporated in a jurisdiction other than the United Kingdom, it shall notify Golden US, and Golden US shall have the right to consent to the same, such consent not to be unreasonably withheld, conditioned or delayed. Upon receipt of such consent, Barrick shall make such revisions to the form of Shareholders’ Agreement as may be necessary to conform those documents to the laws of the jurisdiction of incorporation of the JVCO, as determined by Barrick acting reasonably, and agreed to by Golden US, acting reasonably, and such revised constating documents and revised Shareholders’ Agreement shall thereupon be deemed to be the form of Shareholders’ Agreement for the purposes of this Agreement.
- 9.4 The Golden Entities shall not permit JVCO or OPCO to conduct any activities, carry on any business or incur any liabilities, other than, in the case of JVCO the holding of the shares of OPCO, and in the case of OPCO, the business, activities and liabilities provided for in this Agreement. The Golden Entities shall not grant any Encumbrance nor cause or permit any Encumbrances to be placed on or against any of the shares or other securities of, or assets of,

JVCO or OPCO, other than Permitted Encumbrances (provided that the Golden Entities shall be responsible for any of the matters set forth in paragraphs (ii) or (iii) of the definition of Permitted Encumbrances when they become due, other than such matters which are Barrick's responsibility under this Agreement).

10. ACCESS TO PROPERTIES AND INDEMNIFICATION

10.1 **Barrick's Indemnification of Silex.** Barrick shall defend, indemnify and save harmless Silex and its directors, officers, employees and representatives from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against one or more of them by any Person and all losses, costs, expenses (including reasonable attorneys' fees), damages and liabilities that may be suffered or incurred by them arising out of or in connection with or relating to, whether directly or indirectly:

- (a) any breach of any of the representations and warranties of Barrick set forth in Section 2.2 of this Agreement;
- (b) the breach by Barrick of any of its covenants under this Agreement; and
- (c) any activities or Operations of Barrick (or conducted on its behalf) on or pertaining to the Properties,

but excluding any and all claims, debts, demands, suits, actions and causes of action and losses, costs, expenses, damages and liabilities that arise out of or in connection with any of the matters set forth in Section 10.3.

10.2 **Silex's Access to Properties.** During the Option Period, Barrick shall grant Silex and OPCO access to the Properties on Silex's reasonable Notice to Barrick provided that Silex and OPCO does not unreasonably interfere with Barrick's operations and complies with all health and safety and other site requirements of Barrick. With respect to such access, Barrick has no liability to Silex or OPCO for any personal injuries including death or for any damage to the property of Silex or OPCO unless such injury or damage is due to the gross negligence or wilful misconduct of Barrick, its servants or agents.

10.3 **Golden Entities Indemnification of Barrick.** The Golden Entities shall defend, indemnify and save harmless Barrick and its Affiliates and their respective directors, officers, employees and representatives from and against any and all claims, debts, demands, suits, actions and causes of action whatsoever that may be brought or made against one or more of them by any Person and all losses, costs, expenses (including reasonable attorneys' fees), damages and liabilities that may be suffered or incurred by them arising out of or in connection with or relating to, whether directly or indirectly:

- (a) any breach of any of the representations and warranties the Golden Entities set forth in Section 2.1 of this Agreement;
- (b) the breach by any of the Golden Entities of any of their respective covenants under this Agreement; and

- (c) any visits to the Properties by Silex or OPCO and its officers, employees, invitees and licensees including without limitation bodily injuries or death at any time resulting therefrom or damage to property (subject to the provisions of Section 10.2); and
- (d) any activities or operations on or with respect to the Properties on or prior to the Effective Date.

10.4 **Notification.** Any Party who has a claim giving rise to indemnification liability pursuant to this Agreement (an “**Indemnified Party**”) which results from a claim by a third party or otherwise shall give prompt notice to the Party from whom it is seeking indemnification (the “**Indemnifying Party**”) of such claim, together with a reasonable description thereof. Failure to promptly provide such notice shall not relieve the Indemnifying Party of any of its obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced thereby. With respect to any claim by a third party against any Party to this Agreement which is subject to indemnification under this Agreement, the Indemnifying Party shall be afforded the opportunity, at its expense, to defend or settle the claim if it utilizes counsel reasonably satisfactory to the Indemnified Party, and promptly commences the defense of such claim and pursues such defense with diligence; provided, however, that the Indemnifying Party shall secure the consent of the Indemnified Party to any settlement, which consent shall not be unreasonably withheld. The Indemnified Party may participate in the defense of any claim at its expense, and until the Indemnifying Party has agreed to defend such claim, the Indemnified Party may file any motion, answer or other pleading or take such other action as it deems appropriate to protect its interests or those of the Indemnifying Party. If an Indemnifying Party does not elect to contest any third-party claim, the Indemnifying Party shall be bound by the results obtained with respect thereto by the Indemnified Party, including any settlement of such claim.

10.5 **Duration.** The indemnification obligations of the Parties set forth in this Article 10 shall survive the exercise of the Option hereunder by Barrick and the termination of this Agreement; provided, however, that if Barrick exercises the Option, the indemnification obligations of the Golden Entities under Section 10.3(d) shall only apply thereafter with respect to activities or operations conducted by or on behalf of the Golden Entities on or prior to the Effective Date.

11. EXISTING DATA

11.1 **Delivery of Existing Data to Barrick.** Concurrently with the execution of this Agreement, the Golden Entities will deliver to Barrick all of the Existing Data that is owned by any of them or under their direction or control. The Golden Entities make no representation or warranty of any kind as to the accuracy, reliability or completeness of the Existing Data.

12. UNDERLYING ROYALTY AGREEMENT

12.1 **Restrictions and Obligations Regarding Underlying Royalty Agreements.** Prior to the earlier of the termination of the Option and this Agreement and the JV Formation Date, Silex shall not, and after incorporation of OPCO, Silex shall cause OPCO not to:

- (a) agree to any amendment or waiver of the terms of the Underlying Royalty Agreement without the express written consent of Barrick;

- (b) assign, transfer, mortgage, charge, encumber or otherwise dispose of the Underlying Royalty Agreement or any of its rights or interests thereunder in whole or in part without the express written consent of Barrick; and
- (c) observe and perform all of its covenants in the Underlying Royalty Agreement and maintain the Underlying Royalty Agreement and all of its rights and interests thereunder in good standing,

and none of the Golden Entities shall, and they shall cause OPCO and JVCO not to, purchase the Underlying Royalties in whole or in part without the express written consent of Barrick.

- 12.2 **Confirmation re Underlying Royalty Agreement.** The Golden Entities shall within three months of the Effective Date, (a) confirm the identity of the legally approved holder of the Underlying Royalty, (b) obtain and provide to Barrick, all documents required pursuant to Sections 13.1 and 13.2 of the Underlying Royalty Agreement in respect of any assignment(s) of the Underlying Royalty, including the assumption by the assignee of the assignor's obligations under the Underlying Royalty Agreement and update the registration status about the royalty holder with the mining authority in Salta, and (c) obtain the written approval of such royalty holder of the assignment by Silex of both: (i) Underlying Royalty Concessions and (ii) the Underlying Royalty Agreement, to OPCO, on terms and conditions that are acceptable to Barrick acting reasonably.

If the Golden Entities cannot obtain the foregoing documentation within three months after the Effective Date, the Golden Entities shall continue to use their best efforts to obtain such documentation.

If the Golden Entities cannot obtain the foregoing documentation within six months of the Effective Date, the Expenditure Commitment will cease to be a firm commitment of Barrick and to the extent that Barrick has not yet incurred Expenditures in an amount equal to the Expenditure Commitment (the amount of such deficiency also being referred to as the "**Expenditure Deficiency**"), Barrick shall have the right and option but not the obligation to incur Expenditures in an amount equal to the Expenditure Deficiency on or before the 8th anniversary of the Effective Date (rather than the time periods contemplated by Sections 4.10(a) or 4.10(b)).

- 12.3 **Purchase of Underlying Royalties.** The Golden Entities acknowledge and agree that if any of them purchase or otherwise acquire the benefit of any portion of any of the Underlying Royalties prior to the JV Formation Date without Barrick's prior consent, the obligation under the applicable Underlying Royalty Agreement to pay such portion of such Underlying Royalties so purchased shall thereupon be extinguished and of no further force and effect.

13. TERMINATION

- 13.1 **Termination Without Exercise of Option.** If this Agreement is terminated and Barrick has not exercised the Option, Barrick shall:

- (a) within 90 days following the effective date of such termination, deliver to Silex copies of all of the Technical Data (except for any of the same that constitutes Proprietary

Property), including data in usable digital form, obtained by Barrick from the Properties, provided that Barrick does not make any representation or warranty concerning the accuracy or reliability thereof; and

- (b) pay and perform any Concessions Maintenance Obligations that become due and owing within 30 days after the effective date of such termination.

14. RESTRICTION ON ASSIGNMENT

- 14.1 **No Restriction of Barrick's Transfer.** Prior to the earlier of the termination of the Option and this Agreement and the JV Formation Date, Barrick may Transfer all or any part of its rights and interests in or with respect to the Properties, the Permits, the Other Permits, the Existing Data and this Agreement:
 - (a) to an Affiliate (without the requirement for any consent from any of the Golden Entities); or
 - (b) to any other Person with the prior consent of the Golden Entities, which consent any of the Golden Entities may withhold in its sole discretion.
- 14.2 **Restriction on Silex's Transfer.** Prior to the earlier of the termination of the Option and this Agreement and the JV Formation Date, Silex shall not Transfer, or agree to Transfer, and shall cause OPCO not to Transfer or agree to Transfer, the whole or any part of its interests in or with respect to the Properties, the Exploration Camp, the Underlying Royalty Agreement, any Other Permits in its name or the Permits and under or by virtue of this Agreement without the prior written consent of Barrick, which consent Barrick may withhold in its sole discretion and in addition to the foregoing Silex must also comply and cause OPCO to comply with the other provisions of this Article 14.
- 14.3 **Restrictions on Indirect Transfers.** Prior to the earlier of the termination of the Option and this Agreement and the JV Formation Date, none of Golden Entities shall Transfer, or agree to Transfer, directly or indirectly, any of its rights and interests in each other or in JVCO or OPCO without the prior written consent of Barrick, which consent Barrick may withhold in its sole discretion. Prior to the earlier of the termination of the Option and this Agreement and the JV Formation Date, the Golden Entities shall not permit OCPO or JVCO to issue any shares or other securities to any Person other than JVCO (in the case of OPCO) or Golden Lux (in the case of JVCO) and none of Silex, Golden Spain or Golden Lux shall issue any shares or other securities to any Person other than to any of the Golden Entities, without the prior written consent of Barrick, which consent Barrick may withhold in its sole discretion. None of the provisions of this Section 14.33 shall be deemed to apply to or limit a change of Control of Golden US.
- 14.4 **Transferee to Execute Counterpart.** A Party transferring its rights and interests as permitted or required by this Agreement shall require any transferee to execute a counterpart of this Agreement and thereby to agree to be bound by the contractual terms hereof in the same manner and to the same extent as though a Party hereto in the first instance.

15. **NOTICES**

15.1 **Notices.** All notices, payments and other required communications (“**Notices**”) to Barrick or to any of the Golden Entities shall be in writing and shall be addressed respectively as follows:

If to Barrick:

Barrick Gold Corporation
Brookfield Place, TD Canada Trust Tower
Suite 3700, 161 Bay Street, P.O. Box 212
Toronto, Ontario
M5J 2S1, Canada
E-Mail:
Attention: General Counsel

With a copy to (which shall not constitute notice):

Lawson Lundell LLP
1600-925 West Georgia Street
Vancouver, British Columbia
V6C 3L2, Canada
Email:
Attention:

If to any of the Golden Entities:

Golden Minerals Company
350 Indiana Street, Suite 650
Golden, Colorado
80401, USA
Email:
Attention:

With a copy to (which shall not constitute notice):

Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, Colorado, U.S.A. 80202
Email:
Attention:

All Notices shall be given (1) by personal delivery or delivery by commercial courier to the addressee, or (2) by electronic communication, or (3) by registered or certified mail return receipt requested. All Notices shall be effective and shall be deemed delivered (1) if by personal delivery or commercial courier on the date of delivery on a Business Day before 5:00pm (in the place of delivery), and, if not delivered on a Business Day before 5:00pm (in the place of delivery), on the next Business Day following delivery, (2) if by electronic communication, on the date of delivery if delivered on a Business Day before 5:00pm (in the

place of delivery), and, if not delivered on a Business Day before 5:00pm (in the place of delivery), on the next Business Day following delivery, and (3) if solely by mail on the next Business Day after actual receipt. A Party may change its address by Notice to the other Party.

16. CONFIDENTIALITY

- 16.1 **Obligation of Confidentiality.** Subject to Section 16.2, all information received or obtained by Barrick or any of the Golden Entities hereunder or pursuant hereto shall be kept confidential by it and no part thereof may be disclosed or published without the prior written consent of the other except: (a) to such Party's Affiliates and its and its Affiliates representatives who have a need to know such information; and (b) such information as may be required to be disclosed or published by Law or applicable stock exchange rule, provided that any such required disclosure shall be strictly limited in scope and content to the extent reasonably possible.
- 16.2 **Exclusions from Confidential Information.** Confidential information shall not include the following:
- (a) information that, at the time of disclosure, is in the public domain;
 - (b) information that, after disclosure, is published or otherwise becomes part of the public domain through no fault of the recipient;
 - (c) information that the recipient can show already was in the possession of the recipient at the time of disclosure;
 - (d) information that the recipient can show was received by it after the time of disclosure, from a third party who was under no obligation of confidence to the disclosing Party at the time of disclosure.
- 16.3 **No Disclosure of Agreement.** Except as required by Law or securities regulatory authority or as needed to fulfill obligations hereunder (such as registrations with competent authorities), neither Barrick nor any of the Golden Entities shall make any public announcements or statements concerning this Agreement or the Properties without the prior approval of the other Party, not to be unreasonably withheld. If a Party determines that it is required to publish or disclose the text of this Agreement in accordance with applicable securities legislation or the applicable rules of any recognized stock exchange or any other applicable Law, it shall provide the other Party with an opportunity to propose appropriate redactions to the text of this Agreement, and the disclosing party hereby agrees to accept any such suggested redactions to the extent permitted by applicable securities legislation, the applicable rules of any recognized stock exchange or any other applicable Law.
- 16.4 **Public Announcements.** The text of any public announcements or statements including news releases which a Party intends to make pursuant to the exception in Section 16.1 shall be made available to the other Party not less than three Business Days prior to publication and the other Party shall have the right to make suggestions for changes therein. If Barrick is identified in any such public announcement or statement it shall not be released without the consent of Barrick in writing, which consent Barrick may withhold in its reasonable discretion.

- 16.5 **Liability for Announcement.** In providing its consent of a public announcement or statement, a Party does not thereby assume any liability or responsibility for the contents thereof, which shall be the sole responsibility of the disclosing Party, and the disclosing Party shall indemnify, defend and save the other Party harmless from any costs and liabilities it may incur in that regard. This provision shall survive expiration or earlier termination of this Agreement.
17. **AREA OF INTEREST**
- 17.1 **Area of Interest.** The Area of Interest shall be the area depicted in Part 4 of Schedule A.
- 17.2 **Acquisition Within the Area of Interest.** If at any time during the term of the Agreement either Barrick or any of the Golden Entities (in this Section 17.2 only called the “**Acquiring Party**”) acquires, directly or indirectly, any right to or interest in any mineral disposition, mining concession, claim, licence, easement, lease, grant, concession, permit, patent, or other mineral property or surface rights or water rights located wholly within the Area of Interest (collectively, “**Acquired Rights**”), the Acquiring Party shall forthwith give Notice to the other (the “**Other Party**”) of that acquisition, the cost thereof and all details in possession of that Party with respect to the nature of the Acquired Rights and the known mineralization. For certainty, (a) if Barrick is the Acquiring Party, then the Other Party shall only be Silex, and (b) if any of the Golden Entities is the Acquiring Party, the Other Party shall be Barrick.
- 17.3 **Election by Other Party.** The Other Party may, within 30 days of receipt of the Acquiring Party’s Notice, elect, by Notice to the Acquiring Party, to require that the Acquired Rights and the right or interest acquired be included in and thereafter form part of the Properties for all purposes (other than Section 2.1) of this Agreement. If the Acquired Rights are held by an Affiliate of the Acquiring Party that is not a Party to this Agreement, then such Acquiring Party shall cause such Affiliate to transfer such Acquired Rights immediately to the Acquiring Party to be held for the purposes of this Agreement.
- 17.4 **If Election not made by Other Party.** If the Other Party does not make the election aforesaid within that period of 30 days, the Acquired Rights shall not form part of the Properties and the Acquiring Party shall be solely entitled thereto.
- 17.5 **Costs of Acquisition.** If the Acquiring Party is Barrick, and the Other Party has made an election under Section 17.3, Barrick’s costs of or incidental to the acquisition of the Acquired Rights shall be deemed to be Expenditures. If the Acquiring Party is any of the Golden Entities, and Barrick has made an election under Section 17.3, Barrick shall reimburse such Golden Entity for all direct payment costs in connection with such acquisition, and such reimbursed amounts shall be deemed to be Expenditures.
- 17.6 **Freedom to Use Data and Information.** Each Party acknowledges that the other Parties may be actively exploring and acquiring mineral properties in the vicinity of the Properties and elsewhere and, subject only to the provisions in Sections 16 and 17.1 to 17.5, neither this Agreement nor the delivery of any data contemplated hereunder to a Party will in any way restrict or limit or result in a restriction or limitation on that Party’s freedom to use such data and any and all information derived from Operations hereunder to explore for and acquire mineral properties through option, joint venture, staking or otherwise now or in the future, within or outside the Properties.

18. MISCELLANEOUS

- 18.1 **Entire Agreement.** This Agreement terminates and replaces all prior agreements, either written, oral or implied, between Barrick and any of the Golden Entities with respect to the Properties, including the term sheet dated January 22, 2020 between Barrick and Golden US, and constitutes the entire agreement between the Parties with respect to the Properties.
- 18.2 **Confidentiality Agreement.** The Parties hereby terminate the Confidentiality Agreement dated May 20, 2019, and such agreement is no longer of any force or effect.
- 18.3 **Void or Invalid Provision.** If any term, provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all provisions, covenants and conditions of this Agreement, and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and in no way be affected, impaired or invalidated thereby.
- 18.4 **Recording.** Other than the registrations and filings set forth herein, this Agreement shall not be recorded. However, if requested by either Party, the other will cooperate to execute and record where appropriate in the registry of the appropriate Governmental Authority and any other public registry, a notice of this Agreement to provide notice to third parties of the Option and of the respective rights and interests of the Parties in and to the Properties, and irrevocably inhibiting the Parties from making any disposition of the Properties except in accordance with the terms of this Agreement.
- 18.5 **Further Assurances.** Each Party shall do and perform all such acts and things, and execute all such deeds, documents and writings, and give all such assurances, as may be necessary to give effect to this Agreement.
- 18.6 **Binding Effect.** This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.
- 18.7 **Counterparts.** This Agreement may be executed in counterparts and by electronic transmission, each of which shall be deemed to be an original and all of which shall constitute one and the same document.
- 18.8 **Technical Reports.** Where either Party hereto or any Affiliate (collectively, the “**Discloser**”) desires or is required by NI 43-101, to file a Technical Report (as defined in NI 43-101) with respect to the Properties, (a) the Discloser shall be entitled to prepare and file that Technical Report, and may include in that Technical Report all information concerning the Properties that is required by applicable Law or stock exchange rule; (b) neither the non-disclosing Party nor its Affiliates shall have any obligation to the Discloser to prepare or provide the Technical Report or any part thereof, or to provide or make available a Qualified Person (as defined in NI 43-101) to the Discloser; (c) the Discloser shall not designate the other Party or any associate, Affiliate or employee of or retained by the other Party, or any Qualified Person of the other Party, as the Qualified Person of the Discloser, without the prior written consent of the other Party; (d) the Discloser shall be responsible for the cost of preparing or providing the Technical Report; and (e) the non-disclosing Party shall be entitled to access to all pertinent information related to that portion of the Technical Report pertaining to the

Properties and shall be afforded a reasonable opportunity to review and the opportunity (but not the obligation) to require reasonable changes to that portion of the Technical Report prior to the filing of the Technical Report with applicable regulatory authorities.

- 18.9 **Limitation on Damages.** Each Party waives any claim for incidental or consequential damages hereunder, including damages for lost profits or for the speculative value or development potential of the Properties.
- 18.10 **Waiver; Amendment.** Any of the terms or conditions of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof, but no such waiver shall affect or impair the right of the waiving Party to require observance, performance, or satisfaction of any other term or condition hereof. Any of the terms or provisions of this Agreement may be amended or modified at any time by agreement in writing.
- 18.11 **Severability and Survival.** In the event that any one or more of the provisions contained in this Agreement or in any other instrument or agreement contemplated hereby shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement or any such other instrument or agreement.

[signature page follows]

The Parties hereto have executed this Agreement as of the day and year first above written.

GOLDEN MINERALS COMPANY

By: /s/ [Signature Redacted]

Name:

Title:

ASM SERVICES S.A.R.L.

By: /s/ [Signature Redacted]

Name:

Title:

SILEX SPAIN, S.L.

By: /s/ [Signature Redacted]

Name:

Title:

SILEX ARGENTINA S.A.

By: /s/ [Signature Redacted]

Name:

Title:

BARRICK GOLD CORPORATION

By: /s/ [Signature Redacted]

Name:

Title:

By: /s/ [Signature Redacted]

Name:

Title:



SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this “**Agreement**”) is made as of April 9, 2020, by and between GOLDEN MINERALS COMPANY, a Delaware corporation (the “**Company**”), and BARRICK GOLD CORPORATION, a corporation organized under the laws of Ontario (the “**Buyer**”). The Company and Buyer are sometimes referred to herein as the “**Parties**” and each individually as a “**Party**”.

RECITALS

A. On April 9, 2020, the Parties entered into that certain Earn-In Agreement (the “**Earn-In Agreement**”) in connection with the Company’s El Quevar project located in the Salta Province of Argentina.

B. In conjunction with the Earn-In Agreement, the Company desires to issue and sell to Buyer, and Buyer desires to purchase from the Company, 4,719,207 shares (the “**Shares**”) of the Company’s common stock, par value \$0.01 per share (the “**Common Stock**”). The purchase and sale of the Shares pursuant to this Agreement will occur on a private placement basis in the United States pursuant to Regulation D under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and in Canada pursuant to National Instrument 45-106 - *Prospectus Exemptions* (“**NI 45-106**”).

NOW, THEREFORE, in consideration of the recitals and the mutual promises, representations, warranties, and covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Subscription. In consideration of and in reliance on the representations, warranties, covenants and agreements of the Company in this Agreement, Buyer hereby agrees to purchase the Shares at a purchase price of US\$0.2119 per share (the “**Purchase Price**”).

2. Acceptance of Subscription. The Company, in consideration of and in reliance on the representations and warranties, covenants and agreements of Buyer in this Agreement, hereby accepts the subscription of Buyer, subject to the terms and conditions of this Agreement, and agrees to issue the Shares to Buyer.

3. Buyer Representations and Warranties. Buyer hereby represents and warrants to the Company as follows:

3.1 Organization; Authorization; Validity of Agreement. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Ontario, Canada and has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Buyer’s board of directors, and no other corporate action on the part of Buyer is

necessary to authorize the execution and delivery by Buyer of this Agreement or the consummation of the purchase of the Shares contemplated hereby.

3.2 Execution; Validity of Agreement. This Agreement has been duly executed and delivered by Buyer and, assuming due and valid authorization, execution and delivery hereof by the Company, is a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by the effects of bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and other laws relating to or affecting creditors' rights, and the general principles of equity.

3.3 Consents and Approvals; No Violations. None of the execution, delivery or performance of this Agreement by Buyer, the consummation by Buyer of the purchase of the Shares in accordance herewith or compliance by Buyer with any of the provisions hereof will (1) require any filing with (except for filings pursuant to the applicable securities laws), or permit, authorization, consent or approval of, any governmental entity, (2) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Buyer is a party or to which its assets are subject, other than such violation, breach or default as would not reasonably be expected to have a Material Adverse Effect (as defined below), or (3) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Buyer.

3.4 Report of Trade. Buyer acknowledges that the Company will be required to file a report of trade with the Ontario Securities Commission containing personal information about Buyer. This report of trade will include the full name, address and telephone number of Buyer, the number and type of securities purchased, the total Purchase Price paid for the Shares, the date of the Closing and the exemption relied upon under applicable securities laws to complete such purchase.

3.5 Anti-Money Laundering. None of the funds being used to purchase the Shares are, to Buyer's knowledge, proceeds obtained or derived directly or indirectly as a result of illegal activities. The funds being used to purchase the Shares which will be advanced by Buyer to the Company hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "**PCMLTFA**") and Buyer acknowledges that the Company may in the future be required by law to disclose Buyer's name and other information relating to this Agreement and Buyer's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of Buyer's knowledge: (i) none of the funds to be provided by or on behalf of Buyer are being tendered on behalf of a Person or entity who has not been identified to Buyer; and (ii) Buyer shall promptly notify the Company if Buyer discovers that any of such representations cease to be true, and to provide the Company with appropriate information in connection therewith.

3.6 Investment Representations.

(a) Buyer is acquiring the Shares as principal solely for its own account for investment purposes and not with a view to resale or distribution thereof, in whole or in part.

Buyer has no agreement or arrangement, formal or informal, with any Person to sell or transfer all or any part of any of the Shares, and Buyer has no plans to enter into any such agreement or arrangement.

(b) Buyer is an “accredited investor” as defined in Regulation D under the Securities Act and as defined in NI 45-106, and is able to bear the economic risk of holding the Shares for an indefinite period, and has knowledge and experience in financial and business matters such that it is capable of evaluating the risks of the investment in the Shares. Buyer was not created or used solely to purchase or hold Shares as an “accredited investor.”

(c) Buyer acknowledges that:

(i) in evaluating the suitability of an investment in the Company, other than reliance on the representations, warranties, covenants and agreements of the Company in this Agreement, Buyer has not relied upon any representation or other information (oral or written) other than those contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 and other periodic filings with the Securities and Exchange Commission filed since January 1, 2019 (“**SEC**”) (to the extent not superseded or amended by subsequent filings) (the “**Public Reports**”). Buyer has had the right to ask questions of and receive answers from the Company and its officers and directors, and to obtain such information as Buyer deems necessary to verify the accuracy

(a) of the information referred to in the Public Reports and (b) of any other information relevant to making an investment decision with respect to the Shares;

(ii) the Shares have not been registered under the Securities Act or any applicable state securities laws. Buyer understands that the issuance and sale of the Shares is intended to be exempt from the registration requirements of the Securities Act, by virtue of Section 4(a)(2) thereof and Regulation D promulgated thereunder, based, in part, upon the representations, warranties and agreements of Buyer contained in this Agreement;

(iii) a prospectus is not being filed to qualify the distribution of the Shares to the public in Canada under applicable Canadian securities laws and the Shares are not freely tradeable. Buyer understands that the issuance and sale of the Shares is intended to be exempt from the prospectus requirements of applicable Canadian securities laws, based, in part, upon the representations, warranties and agreements of Buyer contained in this Agreement;

(iv) the certificates representing the Shares or ownership statements issued under a direct registration system or other electronic book entry system will bear the legends set forth below (provided that the legends set forth in the second and third paragraphs below may be removed from, and will not be set forth on, any certificates representing the Shares (in the case of the second paragraph below) or any certificates representing the Shares or ownership statements issued under a direct registration system or other electronic book entry system (in the case of the third paragraph below), from and after August 10, 2020):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR ANY STATE SECURITIES LAWS, AND MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) IN COMPLIANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (C) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND, IN THE CASE OF (B) OR (C), THE HOLDER HAS PRIOR TO SUCH TRANSFER FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE (“TSX”); HOWEVER, SUCH SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON THE TSX.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY IN CANADA BEFORE AUGUST 10, 2020.

(v) the Shares are subject to “hold period” resale restrictions under applicable Canadian securities laws and that, absent an exemption from the prospectus requirements of applicable Canadian provincial securities laws, the Shares must not be traded or resold in or to a resident of Canada until four months and one day after the closing of the transaction contemplated herein. Buyer shall comply with all resale restrictions applicable to the Shares in Canada and the United States under applicable securities laws, including complying with any applicable registration requirements under applicable Canadian securities laws that apply to any resale of the Shares.

(d) Golden Minerals Shares. As of the date hereof, Buyer does not beneficially own (as defined in Rule 13d-3 under the U.S. Securities Exchange Act of 1934, as amended) any shares of Common Stock.

(e) Brokers or Finders. Buyer has not entered into any agreement or arrangement entitling any agent, broker, investment banker, financial advisor or other firm or Person to any broker’s or finder’s fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement.

(f) Non-Reliance of Buyer. Except as set forth in Section 3.6(c)(i) of this Agreement and for the specific representations and warranties expressly made by the Company in Section 4 of this Agreement, Buyer acknowledges that (a) neither the Company, its affiliates nor any other Person has made any representation or warranty, express or implied, as to the Company, the Company's business, assets, liabilities, operations, prospects, condition (financial or otherwise), including with respect to the effectiveness or success of the Company's operations, exploration activities or future capital raising activities and the Company has not provided to Buyer any "offering memorandum" (as defined in applicable Canadian securities laws), and (b) no officer, agent, representative or employee of the Company has any authority, express or implied, to make any representations, warranties or agreements not specifically set forth in this Agreement. Buyer specifically disclaims that it is relying upon or has relied upon any representations or warranties that may have been made by any Person except as set forth in Section 3.6(c)(i) of this Agreement and for the specific representations and warranties expressly made by the Company in Section 4. Any inspection, investigation or review performed by Buyer in connection with this Agreement will not affect or negate the representations and warranties of the Company contained herein or in any Public Reports.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to Buyer as follows:

4.1 Organization. The Company is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. The Company is qualified to transact business and is in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing would not reasonably be expected to have a Material Adverse Effect.

4.2 Authorization; Validity of Agreement. The Company has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Company's board of directors, and no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement or the consummation of the purchase and sale of the Shares.

4.3 Execution; Validity of Agreement. This Agreement has been duly executed and delivered by the Company and, assuming due and valid authorization, execution and delivery hereof by Buyer, is a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by the effects of bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and other laws relating to or affecting creditors' rights, and the general principles of equity.

4.4 Consents and Approvals; No Violations. None of the execution, delivery or performance of this Agreement by the Company, the consummation by the Company of the issuance and sale of the Shares in accordance herewith or compliance by the Company with any

of the provisions hereof will (1) conflict with or result in any breach of any provision of the Company's amended and restated certificate of incorporation or bylaws, (2) require any filing with (except for filings with the SEC, the Toronto Stock Exchange ("**TSX**"), the NYSE American LLC ("**NYSE American**") and other regulatory authorities advising them of the issuance and sale of the Shares, and a report of exempt distribution required by NI 45-106), or permit, authorization, consent or approval of, any governmental entity or any other Person, (3) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company is a party, other than such violation, breach or default as would not reasonably be expected to have a Material Adverse Effect or (4) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company.

4.5 Reporting Issuer. The Company is a reporting issuer in each of the provinces of Canada.

4.6 Public Reports. The Public Reports have been duly furnished or filed by the Company with the SEC, and as of the date furnished or filed the Public Reports complied in all material respects with the requirements of applicable United States federal securities laws, and none of the Public Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No change has occurred to the Company's assets, liabilities (contingent or otherwise), business, financial condition or capital that is required to be disclosed under applicable securities laws that hasn't been disclosed. As of the date hereof, there are no outstanding written comments from any applicable securities regulatory authority (or equivalent) relating to the Public Reports.

4.7 Stock Exchange Listing. The shares of Common Stock are listed and posted for trading on the TSX and NYSE American. The Shares, when issued but subject to the resale restrictions referenced in Sections 3.6(c)(iii), 3.6(c)(iv) and 3.6(c)(v), may be traded either through the facilities of the TSX or NYSE American as Buyer may determine.

4.8 No Orders. No order ceasing or suspending trading in shares of Common Stock nor prohibiting the sale of the Shares has been issued to or is outstanding against the Company and, to the Company's knowledge, no investigation or proceeding for such purpose is pending or threatened.

4.9 Good Title Conveyed. At the time of issuance, the Shares will be duly authorized, validly issued, fully paid and nonassessable. The Shares, when issued, will be free and clear of all Encumbrances, except for any restrictions on transfer arising under the Securities Act or any applicable state or Canadian securities laws and except for Encumbrances placed thereon by Buyer.

4.10 Capitalization. The authorized capital of the Company consists of (i) 200,000,000 shares of Common Stock, of which 108,179,001 are issued and outstanding as of the date of this Agreement, including 318,003 shares of restricted stock which are subject to forfeiture conditions, and (ii) 10,000,000 shares of preferred stock, par value \$0.01 per share, none of which

are issued and outstanding. Except for (a) the Shares, (b) 14,653,846 shares of Common Stock issuable upon exercise of outstanding warrants disclosed in the Company's Public Reports, and (c) 5,182,286 shares of Common Stock issuable upon in connection with outstanding awards under the Company's Amended and Restated 2009 Equity Incentive Plan, the Company has not issued or agreed or otherwise committed to issue any shares of Common Stock, restricted stock or preferred stock or any rights, warrants, options or other securities to acquire any shares of any class of capital stock of the Company.

4.11 Brokers or Finders. The Company has not entered into any agreement or arrangement entitling any agent, broker, investment banker, financial advisor or other firm or Person to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement.

5. Closing Conditions. The purchase and sale of the Shares is expected to be completed upon satisfaction of the closing conditions set forth in this Section 5 (the date on which such closing occurs, the "**Closing Date**").

5.1 Conditions to Buyer's Obligation to Close. The obligations of Buyer to consummate the purchase of the Shares shall be subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

(a) Statutes; Orders. No statute, rule or regulation shall have been enacted or promulgated by any governmental entity which prohibits the consummation of the purchase and sale of the Shares; and there shall be no order or injunction of a court of competent jurisdiction or securities regulatory authority (or equivalent) in effect precluding or prohibiting consummation of the purchase and sale of the Shares.

(b) Government Action. There shall not be threatened or pending any suit, action or proceeding by any governmental entity seeking to restrain or prohibit the consummation of the purchase and sale of the Shares or seeking to impose material limitations on the ability of Buyer effectively to exercise full rights of ownership of the Shares, including the right to vote the Shares.

(c) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement qualified as to materiality shall be true and correct in all respects after having regard to such materiality qualifier, and for all other representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects, in each case, as of the Closing Date as though made on and as of such date.

(d) Covenants. The Company shall have complied in all material respects with all covenants, agreements and obligations of the Company contained in this Agreement.

(e) Exchange Consents and Approvals. The Company shall have received conditional approval from the TSX and approval from the NYSE American with respect to the listing of the Shares.

(f) Earn-in Agreement. The Company shall have entered into (or concurrent with the Agreement, will enter into) the Earn-In Agreement.

(g) Deliveries at Closing. Buyer shall have received from the Company a certificate representing the Shares or ownership statement issued under a direct registration system or other electronic book entry system, in either case duly and validly issued in favor of Buyer (or as Buyer may direct) and otherwise sufficient to vest in Buyer good title to the Shares;

5.2 Conditions to the Company's Obligation to Close. The obligations of the Company to consummate the purchase and sale of the Shares shall be subject to the satisfaction on or prior to the applicable Closing Date of each of the following conditions:

(a) Statutes; Orders. No statute, rule or regulation shall have been enacted or promulgated by any governmental entity which prohibits the consummation of the purchase and sale of the Shares; and there shall be no order or injunction of a court of competent jurisdiction or securities regulatory authority (or equivalent) in effect precluding or prohibiting consummation of the purchase and sale of the Shares.

(b) Government Action. There shall not be threatened or pending any suit, action or proceeding by any governmental entity seeking to restrain or prohibit the consummation of the purchase and sale of the Shares.

(c) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement qualified as to materiality shall be true and correct in all respects after having regard to such materiality qualifier, and for all other representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects, in each case as of the Closing Date as though made on and as of such date, excluding in all cases where the failure to do so would not have a material adverse effect on the ability of Buyer to perform its obligations under this Agreement or the availability of an exemption from registration pursuant to Regulation D under the Securities Act.

(d) Covenants. Buyer shall have complied in all material respects with all covenants, agreements and obligations of Buyer contained in this Agreement.

(e) Exchange Consents and Approvals. The Company shall have received conditional approval from the TSX and approval from the NYSE American with respect to the listing of the Shares.

(f) Earn-in Agreement. Buyer shall have entered into (or concurrent with the Agreement, will enter into) the Earn-In Agreement.

(g) Deliveries at Closing. The Company shall have received from Buyer by wire transfer of immediately available funds, the aggregate amount of the Purchase Price for the Shares to an account designated by the Company prior to the Closing Date;

6. Miscellaneous.

6.1 Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either Party without the prior written consent of the other Party. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective permitted successors and assigns. Nothing in this Agreement is intended to confer upon any party other than the Parties hereto or their respective permitted successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.2 Notices. Unless otherwise provided herein, any notice, request, waiver, instruction, consent or document or other communication required or permitted to be given by this Agreement shall be effective only if it is in writing and (i) delivered by hand or sent by certified mail, return receipt requested, (ii) if sent by a nationally-recognized overnight delivery service with delivery confirmed, or (iii) if sent by email (or other similar electronic means), with receipt confirmed as follows:

Company: Golden Minerals Company
350 Indiana Street, Suite 650
Golden, Colorado 80401
Attn:
Email:

with a copy (which shall not
constitute notice) to: Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, Colorado 80202
Attn:
Email:

Buyer: Barrick Gold Corporation
Brookfield Place, TD Canada Trust Tower
Suite 3700, 161 Bay Street, P.O. Box 212
Toronto, Ontario
M5J 2S1, Canada
E-Mail:
Attention: General Counsel

with a copy (which shall not
constitute notice) to: Lawson Lundell LLP
1600-925 West Georgia Street Vancouver,
British Columbia
V6C 3L2, Canada
Email:
Attention:

The Parties shall promptly notify each other of any change in their respective addresses or email addresses or of the individual or entity or office to receive notices, requests or other communications under this Section 6.2. All notices shall be deemed to have been given (i) if personally delivered or sent by certified mail, as of the date when so delivered, (ii) if sent by nationally-recognized overnight delivery service, two days after mailing, or (iii) if sent by email (or other similar electronic means) as of the date sent, if during normal business hours of the recipient, and otherwise on the next business day.

6.3 Amendments and Waivers. This Agreement may not be amended or supplemented, unless set forth in a writing signed by each Party hereto. Except as otherwise permitted in this Agreement, the terms or conditions of this Agreement may not be waived unless set forth in a writing signed by the Party entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of such provision at any time in the future or a waiver of any other provision hereof. The rights and remedies of the Parties hereto are cumulative and not alternative. Except as otherwise provided in this Agreement, neither the failure nor any delay by any Party hereto in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege.

6.4 Severability. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to

replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

6.5 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of Colorado.

6.6 Submission to Jurisdiction. The Parties hereby submit to the non-exclusive jurisdiction of any court of the State of Colorado or the United States District Court for the District of Colorado for the purpose of any suit, action, or other proceeding arising out of this Agreement, and waive any and all objections to jurisdiction that they may have under the laws of the State of Colorado or the United States and any claim or objection that any such court is an inconvenient forum.

6.7 Entire Agreement. This Agreement constitutes the full and entire understanding and agreement between the Parties with regard to the subjects hereof.

6.8 Counterparts. This Agreement may be executed in two or more counterparts (including by email or similar means of electronic communication), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.9 Announcements. Publicity and other general releases of information to the public through the media concerning the transaction contemplated by this Agreement shall be jointly planned and coordinated between the Company and Buyer. Neither Party shall act unilaterally in this regard without the prior approval of the other Party provided, however, that such approval shall not be unreasonably withheld. Notwithstanding the foregoing, nothing in this Section 6.9 shall prevent either Party from furnishing information to, or filing information with, any governmental entity or from disclosing information to comply with applicable laws or rules of any applicable stock exchange.

6.10 Definitions. The following terms shall have the meanings set forth below:

(a) **“Encumbrances”** means any and all liens, charges, security interests, options, claims, mortgages, pledges, proxies, voting trusts or agreements, obligations, understandings or arrangements, defects or imperfections of title or other restrictions on title or transfer of any nature whatsoever.

(b) **“Material Adverse Effect”** means, in respect of a particular Party, any circumstance, change or effect that has or would reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial condition or results of operations of that Party and its subsidiaries taken as a whole, or a material adverse effect on the ability of that Party to perform its obligations under this Agreement; provided however, that none of the following individually or in the aggregate, will be deemed to have a Material Adverse Effect: (x) fluctuations in the market price of the Common Stock; or (y) fluctuations in the prices of precious or base metals, or (z) any change or effect arising out of general economic conditions or conditions generally affecting the mining industries.

(c) **“Person”** means a natural person, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental entity or other entity or organization.

[signature page follows]

* * * * *

IN WITNESS WHEREOF, the Parties have executed this SUBSCRIPTION AGREEMENT as of the date first written above.

GOLDEN MINERALS COMPANY

By: /s/ [Signature Redacted]
Name:
Title:

BARRICK GOLD CORPORATION

By: /s/ [Signature Redacted]
Name:
Title:

By: /s/ [Signature Redacted]
Name:
Title:

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: May 7, 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: May 7, 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 March 31, 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
May 7, 2020

/s/ Robert P. Vogels

Robert P. Vogels
Senior Vice President and Chief Financial Officer
May 7, 2020
