UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2019**

Commission File Number: **333-182072**

Patagonia Gold Corp.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada	**1041**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*

Av. Libertador 498 P. 26, Argentina, C.A.B.A
(+5411) 52786950
(Address of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes ☒ **No** ☐

Check whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☐	**Accelerated Filer**	☐
Non-accelerated Filer	☐	**Smaller Reporting Company**	☒

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ **No** ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:
As of November 27, 2019, the registrant's outstanding common stock consisted of 317,943,990 shares.

Patagonia Gold Corp.

Condensed Interim Consolidated Financial Statements

Patagonia Gold Corp.

Unaudited -Expressed in thousands of U.S. Dollars

Condensed Interim Consolidated Balance Sheets

	NOTE		September 30, 2019 $'000		December 31, 2018 Restated $'000 Note 25
CURRENT ASSETS:					
Cash	21	$	1,543	$	660
Accounts receivable	7,21		2,084		4,923
Inventory	8		3,252		6,286
Total Current Assets			6,879		11,869
NON-CURRENT ASSETS:					
Mineral Properties	9		4,193		2,525
Mining rights	11		16,788		16,475
Property, plant and equipment	13		11,220		9,478
Goodwill	24		31,564		-
Other financial assets	12,21		336		11
Deferred tax asset			4,378		3,778
Other receivables	14,21		3,206		3,072
Total Non-Current Assets:			71,685		35,339
TOTAL ASSETS:		$	78,564	$	47,208
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	15,19,21	$	13,473	$	6,927
Loan payable and current portion of long-term debt	16,19,21		16,050		22,483
Total Current Liabilities:			29,523		29,410
NON-CURRENT LIABILITIES:					
Long-term debt	17,19,21		11,724		674
Asset retirement obligation	10		2,655		1,274
Other long-term payables			52		79
Interest on debt	21		607		-
Total Non-Current Liabilities:			15,038		2,027
TOTAL LIABILITIES:			44,561		31,437
STOCKHOLDERS' EQUITY:					
Capital stock: Authorized- Unlimited No Par Value Issued and outstanding - 317,943,990 common shares (December 31, 2018 - 63,588,798 common shares)	18,25		23,639		301
Additional paid in capital	25		181,884		181,549
Deficit	25		(170,922)		(165,439)
Accumulated other comprehensive loss	25		(398)		(519)
Total Stockholders' Equity attributable to the parent:			34,203		15,892
Non-controlling interest	22		(200)		(121)
Total Stockholders' Equity:			34,003		15,771
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY:		$	78,564	$	47,208

Going Concern (Note 3)

Commitments and Provision (Note 26)

Subsequent Events (Note 28)

Approved on behalf of the Board of Directors

Signed CEO "Christopher van Tienhoven"

Signed CFO "Cristian Lopez Saubidet"

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

Patagonia Gold Corp.

Unaudited -Expressed in thousands of U.S. Dollars

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

		3 month period ended September 30,		9 month period ended September 30,	
	NOTE	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
REVENUE		5,545	9,479	16,194	37,790
COST OF SALES		(2,716)	(3,011)	(10,697)	(18,956)
GROSS PROFIT		2,829	6,468	5,497	18,834
OPERATING INCOME (EXPENSES):					
Other operating expense	8	(34)	-	(2,403)	-
Exploration expenses		(872)	(111)	(2,263)	(763)
Administrative expense	20	(1,558)	(1,553)	(6,139)	(16,969)
Share-based payments expense	18	(294)	-	(335)	(103)
Interest expense		(485)	(182)	(1,299)	(1,262)
Total operating expenses:		(3,243)	(1,846)	(12,439)	(19,097)
OTHER INCOME/(EXPENSE):					
Silver and gold recovery (loss), net of expenses	27	182	-	182	-
Interest income		72	15	98	106
Accretion expense	10	-	(145)	(454)	(434)
Total other income (expense):		254	(130)	(174)	(328)
INCOME (LOSS) - before income taxes		(160)	4,492	(7,116)	(591)
Income tax recovery (expense)		612	(30)	1,846	1,680
NET INCOME (LOSS) FOR THE PERIOD		452	4,462	(5,270)	1,089
Attributable to non-controlling interest		(193)	529	(79)	178
Attributable to equity share owners of the parent		645	3,933	(5,191)	911
		452	4,462	(5,270)	1,089
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:					
Change in value of investment	12	(15)	(4)	(19)	(13)
Foreign currency translation adjustment		140	1,060	140	(2,576)
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD:		577	5,518	(5,149)	(1,500)
Weighted average shares outstanding - basic and diluted		317,943,990	23,634,749	317,943,990	23,634,749
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED:		$ 0.01	$ 0.20	$ (0.01)	$ 0.06

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

Patagonia Gold Corp.

Unaudited -Expressed in thousands of U.S. Dollars

Condensed Interim Consolidated Statement of Changes in Stockholders' Equity

	Capital Stock	Deficit	Accumulated Other Comprehensive Income (Loss)	Additional Paid in Capital	Total attributable to owners	Non-controling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance -January 1, 2018	$ 31,868	$ (157,399)	$ 2,318	$ 181,549	$ 58,336	$ (827)	$ 57,509
Capital reorganization	(31,567)	-	-	-	(31,567)	-	(31,567)
Net Income	-	911	-	-	911	178	1,089
Other comprehensive loss	-	-	(2,589)	-	(2,589)	-	(2,589)
Balance - September 30, 2018	$ 301	$ (156,488)	$ (271)	$ 181,549	$ 25,091	$ (649)	$ 24,442
Balance - July 1, 2018	$ 301	$ (160,421)	$ (1,327)	$ 181,549	$ 20,102	$ (1,178)	$ 18,924
Net Income	-	3,933	-	-	3,933	529	4,462
Other comprehensive income	-	-	1,056	-	1,056	-	1,056
Balance - September 30, 2018	$ 301	$ (156,488)	$ (271)	$ 181,549	$ 25,091	$ (649)	$ 24,442
Balance - January 1, 2019	$ 301	$ (165,439)	$ (519)	$ 181,549	$ 15,892	$ (121)	$ 15,771
Shares issued in reverse acquisition (Note 24)	23,330	-	-	-	23,330	-	23,330
Adjustment for reverse acquisition transaction	-	(292)	-	-	(292)	-	(292)
Share issue costs	8	-	-	-	8	-	8
Net Loss	-	(5,191)	-	-	(5,191)	(79)	(5,270)
Share based compensation	-	-	-	335	335	-	335
Other comprehensive income	-	-	121	-	121	-	121
Balance - September 30, 2019	$ 23,639	$ (170,922)	$ (398)	$ 181,884	$ 34,203	$ (200)	$ 34,003
Balance - July 1, 2019	$ 301	$ (171,275)	$ (523)	$ 181,590	$ 10,093	$ (7)	$ 10,086
Shares issued in reverse acquisition (Note 24)	23,330	-	-	-	23,330	-	23,330
Adjustment for reverse acquisition transaction	-	(292)	-	-	(292)	-	(292)
Share issue costs	8	-	-	-	8	-	8
Net Income (loss)	-	645	-	-	645	(193)	452
Share based compensation	-	-	-	294	294	-	294
Other comprehensive income	-	-	125		125	-	125
Balance - September 30, 2019	$ 23,639	$ (170,922)	$ (398)	$ 181,884	$ 34,203	$ (200)	$ 34,003

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

Patagonia Gold Corp.

Unaudited -Expressed in thousands of U.S. Dollars

Condensed Interim Consolidated Statements of Cash Flows

	NOTE	9 month period ended September 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss		$ (5,270)	$ 1,089
Items not affecting cash			
Depreciation of property, plant and equipment	20	1,528	1,720
Depreciation of mining rights	20	75	75
Share based compensation	18	335	103
Write-down of inventory	8	2,367	-
Loss on foreign exchange		(832)	-
Gain on sale of asset		(33)	-
Accretion expense	10	454	434
Net change in non-cash working capital items			
Decrease in accounts receivable		3,913	2,808
Increase in deferred taxes		(600)	(359)
Decrease in inventory		1,339	8,165
Decrease in accounts payable and accrued liabilities		(2,140)	(5,656)
Increase in interest payable		58	-
Decrease in provisions		(27)	(1,103)
Decrease in transaction taxes payable		-	(329)
		1,167	6,947
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	13	(386)	(2,914)
Purchases of mineral property	9	(195)	(548)
Purchase of mining rights		-	(14,612)
Proceeds from disposal		61	7,500
		(520)	(10,574)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans		10,567	13,981
Repayment of loans		(10,446)	(15,693)
		121	(1,712)
NET INCREASE IN CASH:		768	(5,339)
EFFECT OF FOREIGN EXCHANGE ON CASH		115	4,199
CASH, BEGINNING OF PERIOD:		660	1,285
CASH, END OF PERIOD:		$ 1,543	$ 145
Taxes paid		$ -	$ (329)
Interest paid		$ (375)	$ (459)
SUPPLEMENTAL NON-CASH INFORMATION			
Reverse acquisition		(Note 24)	$ -
Change in value of investments		$ (19)	$ (13)

The accompanying notes are an integral part of these condensed interim consolidated financial statement

1. Nature of Business

Reverse Acquisition

On July 22, 2019, Hunt Mining Corp. ("Hunt", or "Hunt Mining"), completed a reverse acquisition with Patagonia Gold PLC "(Patagonia)" on the terms that Hunt would acquire all issued shares of common stock of Patagonia in exchange for common shares of Hunt Mining on the basis of 10.76 Hunt shares for each Patagonia share. Hunt issued 254,355,192 common shares to the shareholders of Patagonia representing an ownership interest of approximately 80%. The operating name of Hunt Mining Corp. has been changed to Patagonia Gold Corp (Note 24).

As a result of the reverse acquisition, former shareholders of Patagonia Gold acquired control of the Company, and the transaction was accounted for as a reverse acquisition that constitutes a business combination for accounting purposes and is accounted for using the acquisition method under ASC 805. Patagonia Gold is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values, and the net assets of the Company are recorded at the fair value as at the date of the transaction. Transaction costs that were incurred in connection with the reverse acquisition, other than costs associated with financings, have been expensed as incurred.

Comparative information for the Company is that of Patagonia Gold PLC. These figures were originally audited under International Financial Reporting Standards ("IFRS") and have been converted to conform with US Generally Accepted Accounting Principles ("US GAAP"). The legal parent post reverse acquisition is Patagonia Gold Corp., (formerly Hunt Mining Corp) which is required to present its financial statements in accordance with US GAAP. In summary, the comparative information for these statements is from Patagonia Gold PLC, presented in US GAAP to conform with the current requirements of Patagonia Gold Corp.

Patagonia Gold Corp. is a mineral exploration and production company incorporated on January 10, 2006 under the laws of Alberta, Canada and, together with its subsidiaries, is engaged in the exploration of mineral properties and exploitation of reserves in Santa Cruz, Rio Negro and Chubut Provinces of Argentina.

Effective November 6, 2013, the Company relocated from the Province of Alberta to the Province of British Columbia. The Company's registered office is located at Suite 2200, 885 West Georgia Street, Street, Vancouver, B.C. V6C 3E8. The Company's head office is located at Av. Del Libertador 498 Piso 26, C1001ABR, Buenos Aires, Argentina.

(Expressed in US Dollars)

The condensed interim consolidated financial statements include the accounts of the following subsidiaries after elimination of intercompany transactions and balances:

Corporation	Incorporation	Percentage ownership	Functional Currency	Business Purpose
Patagonia Gold S.A.	Argentina	90	US$	Production and Exploration Stage
Minera Minamalu S.A.	Argentina	100	US$	Exploration Stage
Huemules S.A.	Argentina	100	US$	Exploration Stage
Leleque Exploración S.A.	Argentina	100	US$	Exploration Stage
Patagonia Gold Limited	UK	100	GBP$	Holding
Minera Aquiline S.A.U.	Argentina	100	US$	Exploration Stage
Patagonia Gold Canada Inc	Canada	100	CAD$	Holding
Patagonia Gold Chile S.C.M.	Chile	100	CH$	Exploration Stage
Cerro Cazador S.A.	Argentina	100	US$	Exploration Stage
Ganadera Patagonia S.R.L	Argentina	100	US$	Land Holding
1494716 Alberta Ltd.	AB, Canada	100	CAD$	Nominee Shareholder
Hunt Gold USA LLC	WA, USA	100	US$	Management Company

The Company's activities include the exploration and production of minerals from properties in Argentina. On the basis of information to date, properties where it has not yet been determined if economically recoverable ore reserves exist are classified as exploration-stage. Properties where economically recoverable ore reserves exist and are being exploited are classified as production-stage. The underlying value of the mineral properties is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production or a sale of these properties.

On some properties, ongoing production and sales of gold and silver concentrate are being undertaken without established mineral resources or reserves and the Company has not established the economic viability of the operations. As a result, there is increased uncertainty and economic risks of failure associated with these production activities. Despite the sale of gold and silver, these projects remain in the exploration stage because management has not established proven or probable ore reserves required to be classified in either the development or production stage. As such, sales are classified as silver and gold recovery, net of expenses in profit and loss.

2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America ("US GAAP") and with instructions to Form 10-Q and Article 8 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statement for the year ended December 31, 2018 as filed. In the opinion of the Company's management, these financial statements reflect all adjustment, consisting of normal recurring adjustments, necessary to present fairly the Company's financial position at September 30, 2019 and the results of its operations for the nine months then ended. Operating results for the nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The 2018 year-end balance sheet data was derived from audited financial statements prepared in accordance with international financial reporting standards but does not include all disclosures required by U.S. GAAP.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company's presentation currency is the US Dollar.

The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments made by management in the application of US GAAP that have a significant effect on the condensed interim consolidated financial statements and estimates with significant risk of material adjustment in the current and following periods are discussed in Note 6.

3. Going Concern

The accompanying condensed interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. During the nine months ended September 30, 2019, the Company had net loss of $5,270,000. As at September 30, 2019, the Company had an accumulated deficit of $170,922,000. The Company intends to continue funding operations through short-term financing and sale of gold and silver concentrate from the Cap Oeste mine. This planned funding may be insufficient to fund capital expenditures, working capital and other cash requirements for the year ending December 31, 2019.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

4. Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are described below.

(a) Basis of measurement

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

(b) Consolidation

The Company's condensed interim consolidated financial statements consolidate the accounts of the Company and its subsidiaries. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation. Non-controlling interests in the Company's less than wholly owned subsidiaries are classified as a separate component of equity. The condensed interim consolidated financial statements of the Company include 100% of the operating losses and net assets of subsidiaries in which there is a non-controlling interest if the operating losses of the subsidiary are fully financed by the Company.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at the exchange rate prevailing at the transaction date. Revenues and expenses are translated at average exchange rates throughout the reporting period. Gains and losses on translation of foreign currencies are included in the condensed interim consolidated statement of operations and comprehensive loss.

The Company's functional currency is the Canadian dollar. The Company's subsidiaries have functional currencies in Canadian dollars ("$CAD"), US dollars ("$US"), and Great Britain Pound ("GBP$"). Financial statements are translated to their US dollar equivalents using the current rate method. Under this method, the statements of operations and comprehensive loss and cash flows for each period have been translated using the average exchange rates prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the balance sheet date. Translation adjustments are recorded as income or losses in other comprehensive income or loss. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized as incurred in the accompanying condensed interim consolidated statement of operations and comprehensive loss.

(d) Financial instruments

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions, which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

See Note 21 to the Condensed Interim Consolidated Financial Statements for fair value disclosures.

(e) Cash and equivalents

Cash and equivalents include cash on hand, deposits held with banks and other liquid short-term investments with original maturities of three months or less.

(f) Inventories

Inventory comprises, gold held on carbon, mineral concentrate and mineralized material stockpiles. They are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

If the stockpile is not expected to be processed in 12 months after the reporting date, it is included in noncurrent assets and the net realizable value is calculated on a discounted cash flow basis.

Cost of inventory is determined by using the weighted average method and comprises direct costs and a portion of fixed and variable overhead costs incurred in converting materials into concentrate and dore, based on the normal production capacity.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(g) Mineral properties and exploration and evaluation expenditures

Exploration and evaluation costs are expensed until the determination of the technical feasibility and the commercial viability of the associated project. Exploration costs include costs directly related to exploration and evaluation activities in the areas of interest. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when economically recoverable resources are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. This determination is normally evidenced by the completion of a technical feasibility study.

Expenditures to develop new mines, to define further mineralization in mineral properties which are in the development or operating stage, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to the condensed interim consolidated statement of loss and comprehensive loss. The Company charges to the condensed interim consolidated statement of operations and comprehensive loss the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

(h) Mining rights

Mining rights are rights to explore and mine specified areas of land acquired from the landowner. Mining rights acquired for stated terms in excess of 10 years are capitalized as intangible assets and are measured initially at cost and amortized on a straight-line basis over the term of the rights. Mining rights acquired for undefined terms are capitalized as intangible assets and are measured initially at cost and amortized on a unit of production method over the estimated period of economically recoverable resources. Amortization is charged to administrative expenses in the condensed interim consolidated statement of operations and comprehensive loss.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset.

Repairs and maintenance costs are charged to the condensed interim consolidated statement of operations and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property, plant and equipment over their estimated useful lives using the straight-line and unit of production methods. Office equipment, vehicles, machinery and equipment, Mina Martha processing plant, and buildings are stated at cost and depreciated straight line over an estimated useful life of 3 to 20 years. Depreciation of plant, other than Mina Martha, is based on a unit-of-production method over the estimated period of economically recoverable resources. Depreciation begins once the asset is in the state intended for use by management.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the condensed interim consolidated statement of operations and comprehensive loss.

(j) Assets under construction

Assets under construction, at projects and operating mines, are capitalized as assets in the course of construction.

(k) Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. If such assets are considered impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell.

(l) Impairment of assets

The Company reviews, on an annual basis, if there have been any events or changes in circumstances which may indicate that an asset's carrying amount may not be recoverable. If an impairment is identified, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group).

(m) Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset, which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

(n) Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be recognized.

(o) Share-based compensation

The Company offers a share option plan for its directors, officers, employees and consultants. ASC 718 “Compensation – Stock Compensation” prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, “Equity Based Payments to Non-Employees.” Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

(p) Earnings (loss) per share

The calculation of earnings (loss) per share (“EPS”) is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the earnings or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

(q) Revenue recognition

For the properties considered in production-stage, the Company recognizes sales revenue related to the transfer of promised goods when title, risks and rewards of ownership pass to the buyer and collection is reasonably assured. Consolidated sales revenue as reported in the condensed interim consolidated statement of operations and comprehensive loss comprises sales to third parties.

From time to time, some of the Company's sales of concentrate are made under provisional pricing arrangements where the final sale prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances, sales are recorded at period end based on latest information about prices and quantities available to management for the expected date of final settlement. Under such arrangements, the Company's receivable changes as the underlying commodity market price varies, this component of the contract is an embedded derivative which is recognized at fair value with changes in fair value recognized in profit and loss and receivables. Subsequent variations in prices and metal quantities are recognized as they occur.

(r) Silver and gold recovery (loss), net of expenses

Recovery of concentrate and other income related to the Mina Martha and La Josefina properties is recognized when title and the risks and rewards of ownership to deliver concentrate and commodities pass to the buyer and collection is reasonably assured. Sale of concentrate is classified as silver and gold recovery, net of expenses in profit and loss because the Company has not established proven or probable ore reserves and remains in the exploration stage as defined by Industry guide 7.

Not all overhead costs are applied against silver and gold recovery. Since the Company has no reserves for these properties, these projects are treated as exploration-stage and, as such, direct cost, portions of fixed costs and portions of variable costs are applied against silver and gold recovery. Other administrative, office, professional fees, and travel are disclosed separately.

(s) Segmented reporting

In accordance with ASC 280, the management approach is used to identify operating segments. An operating segment is a component that is engaged in business activities from which it may recognize revenues and incur expenses and such business activities are reviewed regularly by the Company's chief operating decision maker. ASC 280 requires the amount of each operating segment item to be disclosed based on internal management information. The Company's projects at the exploration or development stage in South America are not reported as separate segments. As and when each individual project progresses to construction, trial and then to production stage, it is reported as a separate segment for internal management information.

5. Recently Adopted Accounting Pronouncements

Leases

In February 2016, ASU No. 2016-02 was issued related to leases. The new guidance modifies the classification criteria and requires lessees to recognize the assets and liabilities arising from most leases on the balance sheet. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018. The Company has evaluated all contracts which could be classified as leases under the new standards and determined that the impact as a result of adoption is $nil.

6. Critical accounting judgments and estimates

(a) Significant judgments

Preparation of the condensed interim consolidated financial statements requires management to make judgments in applying the Company's accounting policies. Judgments that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements relate to functional currency; income taxes; mining rights; income tax assets and liabilities; provisions and reclamation and closure cost obligations. These judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Functional Currency

Management determines the functional currency for each entity. This requires that management assess the primary economic environment in which each of these entities operates. Management's determination of functional currencies affects how the Company translates foreign currency balances and transactions. Determination includes an assessment of various indicators. In determining the functional currency of the Company's operations in Canada (Canadian dollar), Chile (Chilean Peso), UK (British Pound) and Argentina (U.S. dollar and Argentine Peso), management considered the indicators of ASC 830.

Income Taxes and value-added taxes receivable

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain and subject to judgment. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the various jurisdictions in which it operates. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

The Company has receivables due from the Argentinean government for value-added taxes. Significant estimates and judgments are involved in the assessment of recoverability of these receivables. Changes in management's impairment assumptions may result in an additional impairment provision, or a reduction to any previously recorded impairment provision, with the impact recorded in profit and loss.

Provisions

Management makes judgments as to whether an obligation exists and whether an outflow of resources embodying economic benefits of a liability of uncertain timing or amount is probable, not probable or remote. Management considers all available information relevant to each specific matter.

Reclamation and closure costs obligations

The Argentine mining regulations require that mine property be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, and sealing portals at deep mines. The Company accrues for the cost of final mine closure reclamation over the estimated useful mining life of the property. At each period, the Company reviews the entire reclamation liability and makes necessary adjustments for revisions to cost estimates to reflect current experience.

The Company has adopted ASC 410, Asset Retirement and Environmental Obligations, which requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost is capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(b) Estimation uncertainty

The preparation of the condensed interim consolidated financial statements in conformity with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to title to mineral property interests, asset retirement obligations and inventories. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company is also exposed to legal risk. The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partly, under insurance policies and that could significantly influence the business and results of operations.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Asset retirement obligation

Upon retirement of the Company's mineral properties, retirement costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The liability, the related asset and the expense are affected by estimates with respect to the costs and timing of retiring the assets.

Inventories

Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the Company expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained mineral ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnage are verified by periodic surveys.

7. Accounts receivable

	September 30, 2019	December 31, 2018
	$'000	$'000
Receivable from sale of concentrate	**$ 127**	$ -
Value added tax ("VAT") recoverable (Note 28)	**1,591**	3,843
Other receivables	**366**	1,080
Total	**$ 2,084**	$ 4,923

8. Inventory

		September 30, 2019 $'000		December 31, 2018 $'000
Gold held on carbon	$	**1,252**	$	1,571
Silver and gold concentrate		**114**		-
Material stockpiles		**179**		2,996
Materials and supplies		**1,707**		1,719
Total	$	**3,252**	$	6,286

During the 9 months ended September 30, 2019, the Company closed the Lomada project and put the Cap-Oeste project into care and maintenance. As a result, the carrying value of inventory for these projects has been reviewed for impairment. The net realizable value of the inventory is less than the costs incurred in establishing the ore stockpile and therefore a write down of $2.37 million was required and is recorded in Other operating costs in the condensed interim consolidated statements of operations and comprehensive income (loss).

9. Mineral properties

		Mining assets $'000		Surface rights acquired $'000		Total $'000
Cost						
Balance at December 31, 2017	$	1,280	$	847	$	2,127
Additions		500		198		698
Exchange differences		-		(300)		(300)
Balance at December 31, 2018		1,780		745		2,525
Reverse acquisition (note 24)		438		1,035		1,473
Additions		195		-		195
Balance at September 30, 2019	**$**	**2,413**	**$**	**1,780**	**$**	**4,193**

Trilogy Mining Corporation

In January 2016, Patagonia Gold plc entered into an earn–in agreement with Trilogy Mining Corporation ("Trilogy") in relation to the San José Project in Uruguay. This has been recognized within mining assets at a cost of $2.41 million (2018: $1.78 million). The directors have considered and concluded that no impairment in value is needed at September 30, 2019. This investment was made directly by the parent company and is therefore reflected in the parent company balance sheet as well as that of the Group.

Surface rights

The Company owns the surface rights to over 63,000 hectares of land encompassing the Estancia La Bajada, Estancia El Tranquilo and the Estancia El Rincon.

The Company has clear title and outright ownership over Estancia La Bajada and Estancia El Tranquilo. There is a back in right granted to the sellers under Estancia El Rincon's title deed whereby the Company irrevocably committed to resell the estancia to its former owner in the event that two consecutive years elapse without mining activities. Current activity on this property includes the Lomada Project.

Mina Martha project

On May 6, 2016, the Company acquired the assets of the Mina Martha project from Coeur Mining Inc. ("Coeur"). The Mina Martha project consists of land, mineral rights, a mine camp, offices, a warehouse, maintenance shop, mining facilities including a flotation mill and a tailings retention facility.

La Josefina project

In March 2007, the Company acquired the exploration and development rights to the La Josefina project from Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz") the Santa Cruz provincial mining and petroleum company.

In July 2007, the Company entered into an agreement (subsequently amended) with Fomicruz which provides that, in the event that a positive feasibility study is completed on the La Josefina property, a Joint Venture Corporation ("JV Corporation") would be formed by the Company and Fomicruz. The Company would own 81% of the joint venture company and Fomicruz would own the remaining 19%. Fomicruz has the option to earn up to a 49% participating interest in the JV Corporation by reimbursing the Company an equivalent amount, up to 49%, of the exploration investment made by the Company. The Company has the right to buy back any increase in Fomicruz's ownership interest in the JV Corporation at a purchase price of USD$200,000 per each percentage interest owned by Fomicruz down to its initial ownership interest of 19%; the Company can also purchase 10% of the Fomicruz's initial 19% JV Corporation ownership interest by negotiating a purchase price with Fomicruz. Under the agreement, the Company has until the end of 2019 to complete cumulative exploration expenditures of $18 million and determine if it will enter into production on the property. At December 31, 2018, the Company had incurred approximately $20 million and is in current discussions with Fomicruz to develop a plan for production. In October 2019, the agreement was extended until April 30, 2021 which period may be extended for an additional one-year term (Note 28.a.).

As at September 30, 2019 this project has a carrying amount of $Nil (2018 - $Nil) on the condensed interim consolidated balance sheet.

La Valenciana project

On November 1, 2012, the Company entered into an agreement for the exploration of the La Valenciana project in Santa Cruz province, Argentina. The agreement is for a total of 7 years, expiring on October 31, 2019. The agreement requires the Company to spend $5,000,000 in exploration on the project over 7 years. If the Company elects to exercise its option to bring the La Valenciana project into production, it must grant Fomicruz a 9% ownership in a new JV Corporation to be created by the Company to manage the project and the Company will have a 91% ownership interest in the JV Corporation. Subsequent to September 30, 2019, this agreement was extended until April 30 2021 which period may be extended for an additional one-year term (Note 28.a)

As at September 30, 2019 this project has a carrying amount of $Nil (2018 - $Nil) on the condensed interim consolidated balance sheet.

10. Asset retirement obligation

The Company is legally required to perform reclamation on sites where environmental disturbance is caused by the development or on-going mining of a property to restore it to its original condition at the end of its useful life. In accordance with FASB ASC 410-20, Asset Retirement Obligations, the Company recognized the fair value of that liability as an asset retirement obligation. The total amount of undiscounted cash flows required to settle the estimated obligation is $3,004 which has been discounted using a credit-adjusted rate of 10% (2018 – 10%) and an inflation rate of 2% (2018 – 2%).

The following table describes the changes to the Company's asset retirement obligation liability:

	September 30, 2019 $'000	December 31, 2018 $'000
Asset retirement obligation at beginning of year	$ 1,274	$ 1,408
Reverse acquisition (Note 24)	1,372	-
Foreign exchange	(445)	(712)
Accretion expense	454	578
Asset retirement obligation at end of period	$ 2,655	$ 1,274

11. Mining rights

	Fomicruz Agreement $'000	**Minera Aquiline Argentina $'000**	**Total $'000**
Balance at December 31, 2017	$ 3,388	$ -	$ 3,388
Additions	-	14,612	14,612
Amortization	(100)	-	(100)
Foreign Exchange differences	-	(1,425)	(1,425)
Balance at December 31, 2018	3,288	13,187	16,475
Amortization	(75)	-	(75)
Foreign exchange differences	-	388	388
Balance at September 30, 2019	**$ 3,213**	**$ 13,575**	**$ 16,788**

Fomicruz Agreement

On October 14, 2011, Patagonia Gold, PGSA and Fomicruz entered into a definitive strategic partnership agreement in the form of a shareholders' agreement ("Fomicruz Agreement") to govern the affairs of PGSA and the relationship between the Company, PGSA and Fomicruz. Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine approximately 100,000 hectares of Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA. The Fomicruz Agreement establishes the terms and conditions of the strategic partnership for the future development of certain PGSA mining properties in the Province. The Company will fund 100% of all exploration expenditures on the PGSA properties to the pre-feasibility stage, with no dilution to Fomicruz. After feasibility stage is reached, Fomicruz is obliged to pay its 10% share of the funding incurred thereafter on the PGSA properties, plus annual interest at LIBOR +1% to the Company. Such debt and interest payments will be guaranteed by an assignment by Fomicruz of 50% of the future dividends otherwise payable to Fomicruz on its shares. Over a five-year period, the Company through PGSA is required to invest $5.0 million in exploration expenditures on the properties contributed by Fomicruz, whose rights to explore and mine were contributed to PGSA as part of the Fomicruz Agreement. The Company will manage the exploration and potential future development of the PGSA properties.

Pursuant to ASC 718 Share-based Payment, the mining rights acquired have been measured by reference to the estimated fair value of the equity interest given to Fomicruz. Management has estimated the fair value of the 10% interest in PGSA acquired by Fomicruz, on or about October 14, 2011 at $4.0 million. In determining this fair value estimate, management considered many factors including the net assets of PGSA and the illiquidity of the 10% interest. This amount has been recorded as an increase in the equity of PGSA and as a mining right asset. In the condensed interim consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to $4.0 million.

Management do not consider there to be any indications of impairment and no review of the carrying value has been undertaken.

The mining rights acquired by PGSA are for a forty-year period from the date of the agreement. As indicated above, these mining rights have been recorded as an intangible asset and are amortized on a straight-line basis over forty years commencing in 2012.

Minera Aquiline Argentina Agreement

On January 31, 2018, Patagonia Gold, through a wholly owned subsidiary (Patagonia Gold Canada Inc. “PGCAD”), has acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline Argentina S.A. (“MASA”), a subsidiary of Pan American Silver Corporation. The board consider the acquisition to constitute a new opportunity to develop and produce resources as well as enabling the Company to diversify its regional operations and improve its risk profile. Total consideration for the acquisition amounted to $15 million. PGCAD has made the initial payment of $5 million on January 31, 2018 and the final payment of $10 million on legal completion on May 18, 2018.

Management has estimated the fair value of the net asset of MASA at $0.4 million, this amount has been recorded as an investment in PGCAD. The difference between the fair value of the net asset and the price paid for the 100%of the shares of MASA, $14.6 million, is related to the rights to explore and mine the Calcatreu Deposit. These mining rights have been recorded as an intangible asset and are going to be amortized on a unit-of-production method over the estimated period of economically recoverable resources.

Management do not consider there to be any indications of impairment and no review of the carrying value has been undertaken.

12. Other Financial Assets

The Company has short-term investments in equity securities which are recorded at fair value through other comprehensive income. As of the nine months ended September 30, 2019, the value of the short-term investments in equity decreased to $7,000. The change in the fair value of $4,000 for the nine months ended is recorded as other comprehensive loss in the Company’s condensed interim consolidated statement of operations and comprehensive loss.

The Company has a performance bond that was originally required to secure the Company’s rights to explore the La Josefina property. It is a step-up US dollar denominated 2.5% coupon bond, paying quarterly, issued by the Government of Argentina with a face value of $600,000 and a maturity date of 2035. The bond trades in the secondary market in Argentina. The bond was originally purchased for $247,487. As of the nine months ended September 30, 2019, the value of the bond increased to $336,225. The change in the face value of the performance bond of $14,515 for the nine months ended is recorded as other comprehensive loss in the Company’s condensed interim consolidated statement of operations and comprehensive loss.

Since Cerro Cazador S.A. (“CCSA”) fulfilled its exploration expenditure requirement mandated by the agreement with Fomento Minero de Santa Cruz Sociedad del Estado (“Fomicruz”), the performance bond was no longer required to secure the La Josefina project. Therefore, in September 2010 the Company used the bond to secure the La Valenciana project, an additional Fomicruz exploration project.

13. Property, Plant and Equipment

	Plant	Buildings	Vehicles and Equipment	Improvements and advances	Total
Cost	$'000	$'000	$'000	$'000	$'000
Balance at December 31, 2017	$ 8,242	$ 356	$ 15,234	$ 1,065	$ 24,897
Additions	576	-	3,263	224	4,063
Disposals	-	-	(56)	-	(56)
Transfers	-	-	344	(344)	-
Foreign Echange differences	(2,917)	(126)	(5,327)	(379)	(8,749)
Balance at December 31, 2018	5,901	230	13,458	566	20,155
Reverse acquisition (note 24)	2,535	69	393	-	2,997
Additions	73	-	128	185	386
Disposals	-	-	(147)	(51)	(198)
Transfers	-	-	106	(106)	-
Balance at September 30, 2019	**$ 8,509**	**$ 299**	**$ 13,938**	**$ 594**	**$ 23,340**

	Plant	Buildings	Vehicles and Equipment	Improvements and advances	Total
Accumulated depreciation	$'000	$'000	$'000	$'000	$'000
Balance at December 31, 2017	$ 4,505	$ 45	$ 3,960	$ -	$ 8,510
Disposals	-	-	(41)	-	(41)
Depreciation for the year	2,849	4	1,659	-	4,512
Impairment	-	-	690	-	690
Foreign Echange differences	(1,593)	(16)	(1,385)	-	(2,994)
Balance at December 31, 2018	5,761	33	4,883	-	10,677
Disposals	-	-	(85)	-	(85)
Depreciation for the year	287	5	1,236	-	1,528
Balance at September 30, 2019	**$ 6,048**	**$ 38**	**$ 6,034**	**$ -**	**$ 12,120**
					-

	Plant	Buildings	Vehicles and Equipment	Improvements and advances	Total
Net book value	$'000	$'000	$'000	$'000	$'000
At December 31, 2018	$ 140	$ 197	$ 8,575	$ 566	$ 9,478
At September 30, 2019	**$ 2,461**	**$ 261**	**$ 7,904**	**$ 594**	**$ 11,220**

14. Other Receivables

	September 30, 2019	December 31, 2018
	$'000	$'000
Value added tax ("VAT") recoverable	**$ 897**	$ 1,097
Other receivables	**2,309**	1,975
Total	**$ 3,206**	$ 3,072

15. Accounts payable and accrued liabilities

	September 30, 2019 $'000	December 31, 2018 $'000
Trade accounts payable and accrued liabilities	**$ 5,923**	$ 4,695
Income tax	**198**	462
Other accruals	**244**	1,524
Accounts payable due to related parties (Note 19)	**7,108**	246
Total	**$ 13,473**	$ 6,927

16. Loan payable and current portion of long-term debt

	September 30, 2019 $'000	December 31, 2018 $'000
Bank overdraft	**$ 14,748**	$ 12,381
Current portion of long-term debt (Note 17)	**1,033**	37
Leases payable	**138**	393
Loans payable	**131**	9,672
Total	**$ 16,050**	$ 22,483

17. Long-term debt

The Following is a summary of all loans.

		September 30, 2019 $'000		December 31, 2018 $'000
Loan secured by a letter of guarantee from the Company, at 5% interest per annum, due 2021 (Note 19)	**$**	**8,063**	$	-
Loan secured by assets of the Company payable 5.75% interest per annum, due 2022		**590**		711
Acquired in reverse acquisition. Unsecured loan payable to related party at 8% interest per annum, due 2022 (Note 19,24)		**1,615**		-
Acquired in reverse acquisition. Unsecured loan payable to related party at 8% interest per annum, due 2021(Note 19,24)		**995**		-
Acquired in reverse acquisition. Unsecured loan payable to related party at 7% interest per annum, due 2021(Note 19,24)		**1,311**		-
Loan secured by assets of the Company payable 5.75% interest per annum, due 2022		**183**		-
	$	**12,757**	$	711
Less current portion		**(1,033)**		(37)
	$	**11,724**	$	674

Principal payments on long-term debt are due as follows.

Year ending December 31,		$'000
2019	$	510
2020	$	697
2021	$	2,917
2022	$	512
2023	$	68

18. Capital Stock

Authorized:

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Issued:

Common Shares	Nine months ended September 30, 2019			Year ended December 31, 2018		
	Number		Amount $'000	Number		Amount $'000
Balance, beginning of period	**23,631,749**	**$**	**301**	2,363,471,884	$	31,886
Share reorganization	-		-	(2,339,840,135)		(31,585)
Shares issued in reverse acquisition (note 24)	**254,355,192**		**23,330**	-		-
Acquired in reverse acquisition (note 24)	**63,588,798**		**-**	-		-
Adjustment for transaction	**(23,631,749)**		**-**	-		-
Share issue costs	-		**8**	-		-
Balance, end of period	**317,943,990**	**$**	**23,639**	23,631,749	$	301

Common share issuances:

On July 22, 2019, Hunt Mining Corp. (the “Company”, “Hunt”, or “Hunt Mining”), concluded an agreement with Patagonia Gold PLC “(Patagonia)” on the terms of a recommended share for share exchange offer to be made by Hunt for all the issued shares of common stock of Patagonia in exchange for the common shares of Hunt Mining on the basis of 10.76 Hunt Shares for each Patagonia Share. Hunt issued 254,355,192 Common Shares to the shareholders of Patagonia representing an ownership interest of approximately 80% in Hunt in exchange for all of the issued and outstanding shares of Patagonia. (Note 25)

Stock options

Under the Company’s share option plan, and in accordance with TSX Venture Exchange requirements, the number of common shares reserved for issuance under the option plan shall not exceed 10% of the issued and outstanding common shares of the Company, have a maximum term of 5 years and vest at the discretion of the Board of Directors. In connection with the foregoing, the number of common shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding common shares; and (b) all consultants will not exceed 2% of the issued and outstanding common shares.

All equity-settled share-based payments are ultimately recognized as an expense in the statement of operations and comprehensive loss with a corresponding credit to “share-based payment reserve”. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

(Expressed in US Dollars)

	Range of Exercise prices (CAD)	Number outstanding	Weighted average life (years)	Weighted average exercise price (CAD)	Number exercisable on September 30, 2019
Stock options	$0.00	7,650,000	4.99	$0.07	7,650,000

	September 30, 2019		December 31, 2018	
	Number of options	Weighted Average Price (CAD)	Number of options	Weighted Average Price (CAD)
Balance, beginning of period	4,160,000	$0.21	4,380,000	$0.21
Granted	7,650,000	$0.07	-	$0.00
Expiration of stock options	(4,160,000)	$0.21	(220,000)	$0.23
Balance, end of period	7,650,000	$0.07	4,160,000	$0.21

On May 29, 2019, all outstanding stock option holders consented to the cancellation of outstanding stock options.

On September 25, 2019, the Company granted 7,650,000 options to directors, officers, and employees with an exercise price of CAD $0.065 and expiry date of September 25, 2024. The $294,000 fair value of the options granted was calculated using the Black-Scholes option pricing model and using the following assumptions:

	Nine months ended September 30, 2019
Discount rate	**1.46%**
Expected volatility	**129.75%**
Expected life (years)	**5**
Expected dividend yield	**0%**
Forfeiture rate	**0%**
Stock price	**CAD$ 0.06**

On December 18, 2017, the Company granted 80,000,000 options to directors, officers, and employees with an exercise price of GBP 0.01 and expiry date of December 17, 2027. The fair value of the options granted was calculated using the Black-Scholes option pricing model and is allocated over the vesting period. On August 31, 2019, all outstanding stock option holders consented to the cancellation of outstanding stock options. Until the cancelation of the options the Company has expensed $41,000 that corresponding to the fair value of the options granted allocated to this period.

Warrants:

	September 30, 2019		December 31, 2018	
	Number of warrants	**Weighted Average Price (CAD)**	**Number of warrants**	**Weighted Average Price (CAD)**
Balance, beginning of period	47,500,000	$0.06	48,862,500	$0.07
Warrants cancelled	(47,500,000)	$0.00	(1,362,500)	$0.40
Balance, end of period	-	$0.00	47,500,000	$0.06

On May 29, 2019, all outstanding warrant holders consented to the cancellation of outstanding warrants. No warrants were granted during the nine months ended September 30, 2019.

19. Related Party Transactions

Name and Principal Position		Remuneration, fees, or interest expense	Loans or Advances	Remuneration, fees, or interest payments	Loan payments	Included in Accounts Payable	Included in Loan Payable and Long-term debt
		Period ended September 30,				As at September 30, 2019 and December 31, 2018	
		$'000	$'000	$'000	$'000	$'000	$'000
A company controlled by a director[1]	2019	-	-	(21)	-	6,108	-
- admin, office, and interest expenses	2018	-	-	-	-	-	-
A company controlled by a director	2019	68	8,063	-	-	218	8,063
- admin, office, and interest expenses	2018	55	-	-	-	150	-
Directors	2019	117	-	122	-	91	-
- salaries and wages	2018	126	-	220	-	96	-
Director[1]	2019	58	-	-	-	691	3,921
-loans	2018	-	-	-	-	-	-

[1]Balances owed to related parties were acquired as part of the reverse acquisition (Note 24)

20. Administrative expenses

	Note		September 30, 2019 $'000		September 30, 2018 $'000
General and administrative		**$**	**2,960**	$	2,739
Argentina statutory taxes			**299**		895
Professional fees			**1,478**		467
Operating leases			**89**		88
Loss of foreign exchange			**832**		12,384
Directors' remuneration			**196**		180
Gain on sale of assets			**(33)**		(4)
Depreciation of property plant and equipment	13		**1,528**		1,720
Depreciation allocated to inventory			**(1,309)**		(1,597)
Depreciation of mining rights	11		**75**		75
Consulting fees			**15**		25
Transaction taxes expense (income)			**9**		(3)
Total		**$**	**6,139**	$	16,969

21. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, other financial assets, accounts payable and accrued liabilities, transaction taxes payable, loan payable, interest payable, and long-term debt.

The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: inputs, other than quoted prices, that are observable, either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the marketplace.
- Level 3: inputs are less observable, unavoidable or where the observable data does not support the majority of the instruments' fair value.

Fair value

As at September 30, 2019, there were no changes in the levels in comparison to September 30, 2018. The fair values of financial instruments are summarized as follows:

	September 30, 2019		September 30, 2018	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Financial Assets	$	$	$	$
FVTPL				
Cash (Level 1)	1,543	1,543	145	145
Available for sale				
Other financial assets (Level 1)	336	336	16	16
Loans and receivables				
Accounts receivable and other receivables	5,290	5,290	9,028	9,028
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	13,473	13,473	4,554	4,554
Interest on debt	607	607	-	-
Loan payable and current portion of long-term debt	16,050	16,050	24,986	24,986
Long-term debt	11,724	11,724	929	929

Cash and performance bond are measured based on Level 1 inputs of the fair value hierarchy on a recurring basis.

The carrying value of accounts receivable, accounts payable and accrued liabilities, bank indebtedness, loan payable, interest payable, and long-term debt approximate their fair value because of the short-term nature of these instruments and because long-term debt approximates a market rate of interest. The Company assessed that there were no indicators of impairment for these financial instruments.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high quality financial institutions and limits the amount of credit exposure with any one institution. Accounts receivable consist of trade receivables and VAT recoverable and are not considered subject to significant risk, because the amounts are due from a government and a customer who is considered credit worthy.

The Company has concentrations of credit risk with respect to its trade receivables, the majority of which are concentrated internationally amongst a small number of customers. As at September 30, 2019, the Company had two customers whose trade receivable of $204,176 (December 31, 2018 – $223,360) accounted for greater than 10% of the total trade receivables. The Company controls credit risk through monitoring procedures, and by performing credit evaluations of its customers, but generally does not require collateral to secure accounts receivable.

The Company has concentrations in the volume of sales it made to customers. For the 9 months ended September 30, 2019, the Company made sales of $16,194,000 to one customer which accounted for greater than 10% of total revenue (2018 - $37,790,000) and sales of $1,747,589 to one customer which accounted for greater than 10% of the total silver and gold recovery, net of expenses (2018 - $Nil).

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. At September 30, 2019, the Company had total cash balances of $1,543,000 (December 31, 2018- $660,000) at financial institutions, where $Nil (December 31, 2018- $Nil) is in excess of federally insured limits.

22. Non-controlling interest

		Amount
		$'000
Balance at December 31, 2017	$	(827)
Share of 2018 operating income (loss)		706
Balance at December 31, 2018		(121)
Share of operating income (loss)		(79)
Balance at September 30, 2019	**$**	**(200)**

On October 14, 2011, Patagonia Gold, PGSA and Fomicruz entered into the Fomicruz Agreement (Note 11). Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine approximately 100,000 hectares of Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA.

The fair value of the rights to explore and mine approximately 100,000 hectares has been estimated by management at $4.0 million in accordance with ASC 718 Share-based Payments. This amount has been recorded as an increase in the equity of PGSA and as mining rights. In the condensed interim consolidated financial statements, the increase in equity of PGSA has been recorded as non-controlling interest.

The share of operating profits relates to Lomada de Leiva which commenced production in 2013 and Cap-Oeste which commenced production in 2016.

23. Segmented Information

The Group's net profit and its geographic allocation of total assets and total liabilities may be summarized as follows:

9 month period ended September 30, 2019	**Lomada Project**	**Cap Oeste Project**	**Calcatreu Project**	**Argentina, Uruguay and Chile**	**Martha and La Josefina Projects**	**UK**	**North America**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE	$ 3,589	$12,605	$ -	$ -	$ -	$ -	$ -	$ 16,194
COST OF SALES	(2,839)	(7,858)	-	-	-	-	-	(10,697)
GROSS PROFIT	750	4,747	-	-		-	-	5,497
OPERATING INCOME (EXPENSES):								
Other operating expense	-	(2,368)	-	-	(35)	-	-	(2,403)
Exploration expenses	-	(156)	(1,051)	(712)	(344)	-	-	(2,263)
Administrative expense	-	-	(137)	(1,760)	(353)	(1,411)	(118)	(3,779)
Share-based payments expense	-	-	-	-	-	(40)	(295)	(335)
Depreciation expense	-	-	(13)	(1,358)	(157)	-	-	(1,528)
Gain (loss) on foreign exchange	-	-	-	(526)	(306)	-	-	(832)
Interest expense	-	-	-	(1,181)	-	-	(118)	(1,299)
Total operating expenses:	-	(2,524)	(1,201)	(5,537)	(1,195)	(1,451)	(531)	(12,439)
OTHER INCOME/(EXPENSE):								
Silver and gold recovery (loss)	-	-	-	-	182	-	-	182
Interest income	-	-	-	84	14	-	-	98
Accretion expense	-	-	-	(432)	(22)	-	-	(454)
Total other income (expense):	-	-	-	(348)	174	-	-	(174)
INCOME (LOSS) - before income tax	750	2,223	(1,201)	(5,885)	(1,021)	(1,451)	(531)	(7,116)
Income taxes (recovery)	-	-	-	1,863	(17)	-	-	1,846
NET INCOME (LOSS) FOR THE PERIOD	$ 750	$ 2,223	$ (1,201)	$ (4,022)	$ (1,038)	$ (1,451)	$ (531)	$ (5,270)

9 month period ended September 30, 2018	Cap Oeste Project $'000	Calcatreu Project $'000	Argentina, Uruguay and Chile $'000	UK $'000	Total $'000
REVENUE	$ 37,790	$ -	$ -	$ -	$ 37,790
COST OF SALES	(18,956)	-	-	-	(18,956)
GROSS PROFIT	18,834	-	-	-	18,834
OPERATING INCOME (EXPENSES):					
Exploration expenses	-	(383)	(380)	-	(763)
Administrative expense	-	(98)	(2,281)	(486)	(2,865)
Share-based payments expense	-	-	-	(103)	(103)
Depreciation expense	(16)	(2)	(1,702)	-	(1,720)
Interest expense	-	-	(1,000)	(262)	(1,262)
Gain (loss) on foreign exchange	-	-	(12,384)	-	(12,384)
Total operating expenses:	(16)	(483)	(17,747)	(851)	(19,097)
OTHER INCOME/(EXPENSE):					
Interest income	-	-	106	-	106
Accretion expense	-	-	(434)	-	(434)
Total other income (expense):	-	-	(328)	-	(328)
INCOME (LOSS) - before income tax	18,818	(483)	(18,075)	(851)	(591)
Income taxes (recovery)	-	-	1,680	-	1,680
NET INCOME (LOSS) FOR THE PERIOD	$ 18,818	$ (483)	$ (16,395)	$ (851)	$ 1,089

	Total assets		Total liabilities	
	September 30, 2019 $'000	December 31, 2018 $'000	September 30, 2019 $'000	December 31, 2018 $'000
Argentina - Cap Oeste	$ 9,168	$ 19,005	$ 3,206	$ 5,096
Argentina and Chile	25,926	24,456	16,260	13,532
Argentina - Lomada	2,800	1,231	445	1,220
Argentina - Martha & La Josefina	6,215	-	3,690	-
Argentinga - Calcatreu	881	565	1,402	256
United Kingdom	1,903	1,951	8,286	11,333
North America	31,671	-	11,272	-
Total	$ 78,564	$ 47,208	$ 44,561	$ 31,437

(Expressed in US Dollars)

24. Reverse Acquisition

As part of the reverse acquisition, the Company issued 254,355,192 Common Shares in exchange for all of the issued and outstanding shares of Patagonia Gold PLC. The shares deemed to be issued by Patagonia Gold for the acquisition of the Company are recorded as additional amounts in shareholders' equity and are set out as follows along with a summary of the fair value of net identifiable assets acquired:

On July 22, 2019, Hunt Mining Corp. ("Hunt", or "Hunt Mining"), completed a reverse acquisition with Patagonia Gold PLC "(Patagonia)" on the terms that Hunt would acquire all issued shares of common stock of Patagonia in exchange for common shares of Hunt Mining on the basis of 10.76 Hunt shares for each Patagonia share. Hunt issued 254,355,192 common shares to the shareholders of Patagonia representing an ownership interest of approximately 80%. The operating name of Hunt Mining Corp. has been changed to Patagonia Gold Corp.

As a result of the reverse acquisition, former shareholders of Patagonia Gold acquired control of the Company, and the transaction was accounted for as a reverse acquisition that constitutes a business combination for accounting purposes and is accounted for using the acquisition method under ASC 805. Patagonia Gold is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values, and the net assets of the Company are recorded at the fair value as at the date of the transaction. Transaction costs that were incurred in connection with the reverse acquisition, other than costs associated with financings, have been expensed as incurred.

The Company recognized goodwill in the amount of $31,563,568 resulting from the reverse acquisition. Details of the carrying amount and the fair value of identifiable assets and liabilities acquired is as follows:

	Amount
Fair value of the Company's shares	**$ 23,337,670**
Net identifiable assets (liabilities) of the Company	
Cash	60,729
Accounts receivables	1,182,817
Prepaid expenses	14,901
Inventory	673,495
Mineral properties	1,473,459
Property, plant and equipment	2,996,580
Goodwill	31,563,568
Performance bond	350,740
Accounts payable and accrued liabilities	(8,725,265)
Bank indebtedness	(400,000)
Loan payable and current portion of long-term debt	(581,476)
Long-term debt	(3,349,679)
Interest on debt	(550,058)
Asset retirement obligations	(1,372,141)
	23,337,670
	$ -

25. Restatement

Upon the completion of the Reverse Acquisition by Patagonia Gold Corp on July 22, 2019, the issuer became subject to reporting under US Generally Accepted Accounting Principles ("US GAAP'). The previously issued financial statements were issued under International Financial Reporting Standards ("IFRS"). The restatement from IFRS to US GAAP is as follows:

Effect on Condensed Interim Consolidated Balance Sheets

	Year ended December 31, 2018					
	As previously Reported IFRS	Adjustments to US GAAP 1	2	3	4	As Restated US GAAP
CURRENT ASSETS:	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Cash	$ 654	$ -	$ -	$ 6	$ -	$ 660
Accounts receivable	4,921	-	-	2	-	4,923
Inventory	5,907	379	-	-	-	6,286
Total Current Assets	11,482	379	-	8	-	11,869
NON-CURRENT ASSETS:						
Mineral Properties	9,726	(3,379)	(3,822)	-	-	2,525
Mining rights	16,475	-	-	-	-	16,475
Property, plant and equipment	13,508	(4,030)	-	-	-	9,478
Other financial assets	11	-	-	-	-	11
Deferred tax asset	1,633	2,145	-	-	-	3,778
Other receivables	3,075	-	-	(3)	-	3,072
Total Non-Current Assets:	44,428	(5,264)	(3,822)	(3)	-	35,339
TOTAL ASSETS:	$ 55,910	$ (4,885)	$ (3,822)	$ 5	$ -	$ 47,208
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	$ 6,933	-	$ -	$ (6)	$ -	$ 6,927
Loan payable and current portion of long-term debt	22,492	-	-	(9)	-	22,483
Total Current Liabilities:	29,425	-	-	(15)	-	29,410
NON-CURRENT LIABILITIES:						
Long-term debt	674	-	-	-	-	674
Other long-term provisions	1,354	-	-	(1)	(1,274)	79
Asset retirement obligation	-	-	-	-	1,274	1,274
Deferred tax liability	1,075	(1,075)	-	-	-	-
Total Non-Current Liabilities:	3,103	(1,075)	-	(1)	-	2,027
TOTAL LIABILITIES:	$ 32,528	$ (1,075)	$ -	$ (16)	$ -	$ 31,437
STOCKHOLDERS' EQUITY:						
Share capital	$ 301	$ -	$ -	$ -	$ -	$ 301
Share premium account (Paid in Capital)	135,625	-	-	-	45,924	181,549
Capital redemption reserve	29,796	-	-	-	(29,796)	-
Currency translation reserve	18,040	(17,152)	-	-	(888)	-
Share-based payment reserve	14,721	-	-	-	(14,721)	-
Accumulated losses	(174,164)	12,673	(3,969)	21	-	(165,439)
Accumulated other comprehensive loss	-	-	-	-	(519)	(519)
Total Stockholders' Equity attributable to the parent:	24,319	(4,479)	(3,969)	21	-	15,892
Non-controlling interest	(937)	669	147	-	-	(121)
Total Stockholders' Equity:	23,382	(3,810)	(3,822)	21	-	15,771
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY:	$ 55,910	$ (4,885)	$ (3,822)	$ 5	$ -	$ 47,208

Effect on Condensed Interim Consolidated Statement of Stockholders' Equity

	Share capital $'000	Share premium account (additional paid in capital) $'000	Capital redemption reserve $'000	Currency translation reserve $'000	Share-based payment reserve $'000	Accumulated losses $'000	Accumulated other comprehensive income $'001	Total attributable to owners $'000	Non-controlling interests $'000	Total $'000
Balance -January 1, 2018, as previously stated	$31,886	143,690	$ -	$ 300	$ 15,503	$ (158,003)	$ -	$ 33,376	$ 407	$33,783
Share-based payment	-	-	-	-	190	-	-	190	-	190
Lapse of option	-	-	-	-	(98)	98	-	-	-	-
Capital reorganization	(31,567)	-	31,567	-	-	-	-	-	-	-
Exchange differences on translation to $USD	(18)	(8,065)	(1,771)	10,728	(874)	-	-	-	-	-
Loss for the year	-	-	-	-	-	(16,246)	-	(16,246)	(1,344)	(17,590)
Other comprehensive income (expense)	-	-	-	7,012	-	(13)	-	6,999	-	6,999
Balance -December 31, 2018, as previously stated	$ 301	$135,625	$ 29,796	$ 18,040	$ 14,721	$ (174,164)	$ -	$ 24,319	$ (937)	$23,382
Conversion to US GAAP (adjustments 1-4)	-	45,924	(29,796)	(18,040)	(14,721)	8,725	(519)	(8,427)	816	(7,611)
Balance -December 31, 2018, as restated	$ 301	$181,549	$ -	$ -	$ -	$ (165,439)	$ (519)	$ 15,892	$ (121)	$15,771

Adjustment 1: Difference of treatment for hyperinflationary economies.
The group's subsidiary financial statements that are in hyperinflationary economies have been adjusted to reflect the application of ASC 830-10-45-11 which indicates that the financial statements of a foreign entity in a highly inflationary economy are remeasured as if the functional currency were the reporting currency. Accordingly, the financial statements of those entities are remeasured into the reporting currency according to the requirements of ASC 830-10-45-17.

Adjustment 2: Difference of treatment for development costs.
Development costs previously capitalized under IFRS, have been expensed in accordance with the standards set out in Industry Guide 7.

Adjustment 3: Difference of closing rate used for IFRS and US GAAP.
Under IFRS, the closing rate was AR$ / USD 37,6691 while under US GAAP, the closing rate was AR$ / USD 37,70.

Adjustment 4: Presentation differences.
Some figures in the above note, have been reclassified to conform with the presentation requirements of US GAAP.

26. Commitments and Provision

On October 31, 2011, the Company signed an agreement with the owners of the Piedra Labrada Ranch for the use and lease of facilities on the same premises as the Company's La Josefina facilities. The initial term was for three years beginning November 1, 2011 and ended on October 31, 2014, including annual commitments of $60,000. The Company extended this agreement on April 30, 2015 for three years with an option to renew for a second three-year term. On October 22, 2019, an agreement was executed for the renewal of these lease from November 1st, 2019 to December 31, 2020.

Provision for road traffic accident. In October 2011 and March 2012, following a fatal road traffic accident in Argentina, compensation claims were made outside of the life insurance policy held by PGSA. These are non-judicial claims against PGSA that have been partially settled through a mediation process among PGSA, the automobile insurance company, and the claimants. According to those settlement agreements, the automobile insurance company paid the agreed compensations to the claimants, while PGSA committed to afford some of the court expenses and settlement fees. On October 7, 2014, PGSA was notified of the judicial complaint for compensation for moral damages, loss of economic aid, and expenses, filed by the inheritors of one of the victims against PGSA, amounting to $0.04 million (AR$2.1 million) plus interest. As at September 30, 2019, although the plaintiff claims compensation relating to loss of economic aid and expenses, those items have already been covered under an out-of-court previous settlement by the labor risk insurance company of PGSA. As at that date, the claim remains partially outstanding with respect to the moral damages item and a provision of $8 thousand (AR$470 thousand) has been recorded.

27. Silver and Gold Recovery (loss)

Silver and gold recovery (loss) include the sales from concentrate sold during the period ended September 30, 2019 from mining projects of $1,747,589 (2018 - $Nil) Silver and gold recovery revenues have been reported net of direct operating expenses for a recovery of 182,000 for the period ended September 30, 2019 (2018 –$Nil). Accounts receivable include $127,000 (December 31, 2018 -$Nil) for the sales of concentrate.

28. Subsequent Events

a) On October 31, 2019, an agreement was executed for the extension of the supplementary agreement with Formicruz S.E. whereby the exploration period of the La Valenciana and La Josefina projects was extended from November 1 2019 until April 30 2021 which period may be extended for an additional one-year term.

b) Subsequent to September 30, 2019, the company received payment of approximately $179,000 for the recovery value added tax.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the operating results, corporate activities and financial condition of Patagonia Gold Corp. (hereinafter referred to as "we", "us", "Patagonia Gold", "PGDC", or the "Company") and its subsidiaries provides an analysis of the operating and financial results between December 31, 2018 and September 30, 2019 and a comparison of the material changes in our results of operations and financial condition between the year ended December 31, 2018 and the nine months ended September 30, 2019. This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2018.

This discussion and analysis contain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the heading "Risk Factors and Uncertainties" in our Annual Report on Form 10-K for the period ended December 31, 2018, and elsewhere in this Quarterly Report on Form 10-Q.

The interim statements have been prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP") as required under U.S. federal securities laws applicable to the Company, and as permitted under applicable Canadian securities laws. The Company is a reporting company under applicable securities laws in Canada and the United States. The reporting currency used in our financial statements is the United States Dollar.

The information contained within this report is current as of November 19, 2019 unless otherwise noted.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates

The Company uses Canadian Institute of Mining, Metallurgy and Petroleum definitions for the terms "proven reserves", "probable reserves", "measured resources", "indicated resources" and "inferred resources". U.S. investors are cautioned that while these terms are recognized and required by Canadian regulations, including National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), the U.S. Securities and Exchange Commission ("SEC") does not recognize them.

Canadian mining disclosure standards differ from the requirements of the SEC under SEC Industry Guide 7, and reserve and resource information referenced in this Form 10-Q may not be comparable to similar information disclosed by companies reporting under U.S. standards. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve". Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources" or "indicated mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. Disclosure of "contained ounces" in a resource estimate is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as tonnage and grade without reference to unit measures. The requirements of NI 43- 101 for identification of "reserves" are also not the same as those of the SEC, and reserves in compliance with NI 43-101 may not qualify as "reserves" under SEC standards.

Cautionary Note Regarding Forward-Looking Statements

Certain statements made in this Quarterly Report on Form 10-Q may constitute “forward-looking statements about the Company and its business. Forward looking statements are statements that are not historical facts and include, but are not limited to, reserve and resource estimates, estimated value of the project, projected investment returns, anticipated mining and processing methods for the project, the estimated economics of the project, anticipated Patagonia Gold recoveries, production rates, grades, estimated capital costs, operating cash costs and total production costs, planned additional processing work and environmental permitting. The forward-looking statements in this report are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by forward looking statements.

These risks, uncertainties and other factors include, without limitation:

- risks related to uncertainty of Patagonia Gold property valuation assumptions;
- uncertainties related to raising sufficient financing to fund the project in a timely manner and on acceptable terms;
- changes in planned work resulting from logistical, technical or other factors; the possibility that results of work will not fulfill expectations and realize the perceived potential of the Company's properties;
- uncertainties involved in the estimation of Patagonia Gold reserves and resources;
- the possibility that required permits may not be obtained on a timely manner or at all;
- the possibility that capital and operating costs may be higher than currently estimated and may preclude commercial development or render operations uneconomic;
- the possibility that the estimated recovery rates may not be achieved;
- risk of accidents, equipment breakdowns and labor disputes or other unanticipated difficulties or interruptions;
- the possibility of cost overruns or unanticipated expenses in the work program;
- risks related to projected project economics, recovery rates, estimated NPV and anticipated IRR; and
- other factors identified in the Company's SEC filings and its filings with Canadian securities regulatory authorities.

Forward-looking statements are based on the beliefs, opinions and expectations of the Company's management at the time they are made, and other than as required by applicable securities laws, the Company does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances, should change.

Patagonia Gold Corp – Corporate Overview

On July 22, 2019, Hunt Mining Corp. (“Hunt”, or “Hunt Mining”), completed a reverse acquisition with Patagonia Gold PLC “(Patagonia)” on the terms that Hunt would acquire all issued shares of common stock of Patagonia in exchange for common shares of Hunt Mining on the basis of 10.76 Hunt shares for each Patagonia share. Hunt issued 254,355,192 common shares to the shareholders of Patagonia representing an ownership interest of approximately 80%. The operating name of Hunt Mining Corp. has been changed to Patagonia Gold Corp.

Patagonia Gold Corp. is a mineral exploration and production company incorporated on January 10, 2006 under the laws of Alberta, Canada and, together with its subsidiaries, is engaged in the exploration of mineral properties and exploitation of reserves in Santa Cruz, Rio Negro and Chubut Provinces of Argentina.

Effective November 6, 2013, the Company relocated from the Province of Alberta to the Province of British Columbia. The Company’s registered office is located at Suite 2200, 885 West Georgia Street, Street, Vancouver, B.C. V6C 3E8. The Company’s head office is located at Av. Del Libertador 498 Piso 26, C1001ABR, Buenos Aires, Argentina.
The condensed interim consolidated financial statements include the accounts of the following subsidiaries after elimination of intercompany transactions and balances:

Corporation	Incorporation	Percentage ownership	Functional Currency	Business Purpose
Patagonia Gold S.A.	Argentina	90	US$	Production and Exploration Stage
Minera Minamalu S.A.	Argentina	100	US$	Exploration Stage
Huemules S.A.	Argentina	100	US$	Exploration Stage
Leleque Exploración S.A.	Argentina	100	US$	Exploration Stage
Patagonia Gold Limited	UK	100	GBP$	Holding
Minera Aquiline S.A.U.	Argentina	100	US$	Exploration Stage
Patagonia Gold Canada Inc	Canada	100	CAD$	Holding
Patagonia Gold Chile S.C.M.	Chile	100	CH$	Exploration Stage
Cerro Cazador S.A.	Argentina	100	US$	Exploration Stage
Ganadera Patagonia S.R.L	Argentina	100	US$	Land Holding
1494716 Alberta Ltd.	AB, Canada	100	CAD$	Nominee Shareholder
Hunt Gold USA LLC	WA, USA	100	US$	Management Company

The Company's activities include the exploration and production of minerals from properties in Argentina (Note 9). On the basis of information to date, properties where it has not yet been determined if economically recoverable ore reserves exist are classified as exploration-stage. Properties where economically recoverable ore reserves exist and are being exploited are classified as production-stage. The underlying value of the mineral properties is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production or a sale of these properties.

On some properties, ongoing production and sales of gold and silver concentrate are being undertaken without established mineral resources or reserves and the Company has not established the economic viability of the operations. As a result, there is increased uncertainty and economic risks of failure associated with these production activities. Despite the sale of gold and silver, these projects remain in the exploration stage because management has not established proven or probable ore reserves required to be classified in either the development or production stage. As such, sales are classified as silver and gold recovery, net of expenses in profit and loss.

Principal Properties Review

The following is a summary of the Company's operations, together with an update on exploration activities for the year to date. Except as otherwise noted, Donald J. Birak, independent geologist and registered member of the Society for Mining, Metallurgy and Exploration ("SME") and fellow of the Australasian Institute for Mining and Metallurgy ("AusIMM"), is the Qualified Person whom has reviewed and approved the scientific and technical information contained herein.

Calcatreu Project

The Company acquired the Calcatreu project from Pan American Silver in January 2018 and is now the Company's flagship project.

The Company is working on obtaining the necessary permits from the Provincial authorities to start a drilling campaign. The metallurgical drill plan consists of 11 diamond holes and approximately 1,000 meter. The schedule is to finish this campaign at the end of December 2019.

The Company has continued worked on a community relations program, to introduce Patagonia Gold to the local community and surrounding areas, in order to establish a relationship with the various institutions and stakeholders of Ingeniero Jacobacci (the town closest to the project and where the Company's local office is located) ("Jacobacci"). The Company presented its plans for the Calcatreu project, detailing each step that will take place in the development of the project.

The Company holds periodic meetings with all stakeholders where the main objective is to keep them informed of the progress at Calcatreu. It is hoped this will establish a relationship that is based on trust and confidence and will lead to the sustainable and safe development of the project with respect to the environment and in faithful compliance with applicable regulations. In addition, one of the main initiatives is to work with the local stakeholders in promoting the socio-economic development of Jacobacci, for the benefit of all of its inhabitants.

The Company's relationship with the community is progressing positively and includes various stakeholders, such as the local and provincial authorities and the nearby indigenous communities that surround the Calcatreu Project.

Cap-Oeste Project

As a result of the lower than anticipated production levels in December 2018 and January 2019, a review was undertaken of the production forecast for the following months and given that the expected revenue would not cover costs the Company took the decision in February 2019 to put Cap-Oeste on care and maintenance.

Production from the existing heap leach pad continued and during the first nine months of the year Cap Oeste produced a total of 8,638 oz AuEq (6,373 oz Au and 193,315 oz Ag). The cash costs for the nine months were US$605/oz and US$690/oz including depreciation and amortization. A total of 9,435 oz AuEq (7,150 oz Au and 194,343 oz Ag) were sold at an average gross price of $1,345 per ounce AuEq during the nine months ended September 30, 2019.

The Company has initiated a pre-feasibility study to assess the potential technical and economic extraction of a portion of the current mineral resources as defined in an NI 43-101 Technical Report by Cube Consulting Pty Ltd, dated May 30, 2019 and on file on www.sedar.com.

Currently the Company is working on final design on the Cap Oeste underground mine.

The ore will be treated nearby in the process plant Located at Mina Martha. The Company has successfully carried out bulk metallurgical tests in the Martha process plant obtaining good recovery results (Gold and Silver over 80%). Options to improve the recovery further with gravity separation prior to flotation are currently under review.

Lomada de Leiva Project

The Lomada mine was closed in May 2016 while production from the ongoing leaching continued until November 2017. Given that the ore from the Lomada mine was originally placed on the heap leach pad without crushing, the Company decided to return to Lomada to reprocess this ore. For this purpose, the Kleeman impact crusher that was originally acquired for Cap-Oeste was mobilized to Lomada, with the intention of crushing the ore and placing it on an extension of the leach pad. The Company expected to recover approximately 10,000 to 12,000 oz Au over a 15-month period. However, following just over two months of operation, the expected levels of production ounces were not achieved and in mid-February 2019 the Company took the decision to cease operations and proceed with the closure of Lomada.

Currently the Company is working on re handling material of leach pad to regenerate the solution percolation and generate new channels of circulation of solution.

During the first nine months of the year Lomada produced a total of approximately 3,060 oz Au. Cash costs for the nine months were US$462/oz and US$621/oz including depreciation and amortization. A total of 2,682 ounces of Au were sold at an average gross price of $1,345 per ounce Au during the nine months ended September 30, 2019.

The Company is currently preparing an update to the closure plan presented and approved by the provincial authorities in 2017. Once the updated plan is approved, the Company will commence with the closure and remediation of the Lomada project.

Exploration Update

Exploration during 2019 consisted mainly of regional reconnaissance, geological mapping, sampling, geophysics and drilling carried out at Rio Negro, Santa Cruz. The geophysical surveys were Ground Magnetics and Pole-Dipole Induced Polarization and Resistivity. During 2019, exploration drilling in Argentina has been concentrated at Calcatreu, and the properties in Santa Cruz province.

Calcatreu Project

The Calcatreu project is located in south central Rio Negro province approximately 80km south west of the town of Jacobacci. It lies on the NW - SE-oriented, regional-scale Gastre Fault System, a highly prospective belt, known to host several epithermal Au-Ag deposits. Patagonia Gold has also recently acquired new concessions, totaling more than 100,000 hectares (ha) along this belt in Rio Negro.

The 2018 exploration work at Calcatreu mainly consisted of project-scale geological mapping along with detailed pole-dipole, Induced Polarization and Resistivity (IP/RES) geophysical survey, followed by a diamond drill program.

The geophysical survey, consisting of 20 lines totaling 46.5km, covered the area between Castro Sur (to the north) and Veta 49 (to the south). Its objective was to detect the presence of hidden NNE trending dilational gashes, similar to that of V49, or any other structure with exploration potential for the development of additional mineral resources in the immediate vicinity of the Vein 49 / Nelson deposits, hosting the current mineral resource at Calcatreu. The survey allowed a subsequent target definition and ranking.

Accordingly, a drill program comprising several geophysical-based drill targets has been designed. The first and main part of the program consisted of drilling for ‘blind’ conceptual geophysical targets, whereas the last few drill holes were focused on expanding the known resource from Vein 49, Belen and Castro Sur, following ore shoots that remain open in down plunge directions.

The Company commissioned CUBE Consulting Pty Ltd from Perth in Australia to complete an updated independent NI43-101 compliant resource model. The updated resource model is tabled below:

Zone	INDICATED RESOURCES						
	kTonnes	Grade (g/t)			Contained Metal (kOz)		
		Au	Ag	Au_equ	Au	Ag	Au_equ[1]
Vein 49	6,447	2.45	21.01	2.71	512	4,568	568
Nelson	1,383	1.51	16.94	1.72	67	753	76
Belen	-	-	-	-	-	-	-
Castro Sur	2,010	1.40	14.77	1.58	90	954	102
TOTAL-Indicated	9,841	2.11	19.83	2.36	669	6,275	746
Zone	INFERRED RESOURCES						
	kTonnes	Grade (g/t)			Contained Metal (kOz)		
		Au	Ag	Au_equ	Au	Ag	Au_equ[1]
Vein 49	2,863	1.48	13.38	1.64	136	1,231	151
Nelson	1,448	1.42	14.66	1.60	66	682	74
Belen	681	1.61	23.32	1.90	35	511	42
Castro Sur	3,086	1.12	9.81	1.24	111	974	123
TOTAL-Inferred	8,078	1.34	13.09	1.50	348	3,399	390

[1]AuEq calculations were carried out using a 76.5:1 Ag:Au ratio

[2] NI 43-101 compliant technical report dated May 30, 2019 prepared by Cube Consulting Pty Ltd and on file on www.sedar.com

Mina Angela

On 13 August 2019 the Company announced an offer letter agreement with Latin Metals Inc. to acquire the Mina Angela project. The Mina Angela property is situated in the Somuncura Massif of southern Argentina and is comprised of 44 individual claims located approximately 50 km east-southeast of Patagonia's 100% owned Calcatreu gold project. The Navidad silver and base metal deposit is located 45 km further to the south-southeast of Mina Angela. The Company is currently working on the due diligence phase an expects to complete this work within the 6-month period from the execution of the option agreement.

La Manchuria Project

In addition to its current mineral resources, the La Manchuria Project is believed to be prospective for the discovery of new gold and silver mineralization. Brownfield exploration continued through mapping and rock chip sampling of a surface of ca. 2,000ha. Veinlets and narrow breccia zones indicative of hydrothermal activity were found at the Magali zone. Anomalous gold values were reported from Cecilia zone. A new drill program for La Manchuria contemplates 2,000m in 14 holes. They are designed to test geophysical anomalies (Induced Polarization/Resistivity/Chargeability and Magnetic Low Anomalies), as well as to test underneath gold anomalies from rock chip sampling at surface. An updated NI 43-101 report for this project was completed on 27 September 2019 by Micon International and is on file at www.sedar.com.

Sarita Project

The Sarita Project, located in the SW of the Deseado Massif approximately 10km NW of Patagonia Gold's Mina Martha Ag-Au mine, hosts a widespread system of banded low sulphidation Au-Ag veins, encompassing a small rhyolitic dome complex. Geologically, the area displays very similar structural and stratigraphic characteristics to Mina Martha with Ag-rich, polymetallic vein-hosted intermediate sulphidation mineralization.

The banded Ag-Au bearing quartz veins have developed within a set of NNW-SSE striking normal faults and constitute an extensive mineralized vein system, with more than 12km in total outcropping length.

Precious and base metal mineralization has been recognized in quartz vein-breccias up to 3m wide at surface, composed of quartz and sulphides. Rock chips from discrete vein structures or aligned float have returned anomalous gold samples with up to 83.40 g/t Au and up to 15,444 g/t Ag, in separate samples. To date 16 diamond drill holes have been drilled for 1,754 m targeting the vein mineralization. Geochemical results from drilling show gold and silver anomalies. Due to poor ground conditions encountered during drilling, core recovery in some of the veins was poor and Au and Ag mineralization may have not been recovered.

Mina Martha Project

Ongoing production at the Martha Project is being undertaken without established mineral resources or reserves and the Company has not established the economic viability of the operations on the Martha Project. As a result, there is increased uncertainty and economic risk of failure associated with these production activities.

Martha is located in the province of Santa Cruz, Argentina, at 48o , 41', 33.94" south latitude and 69o , 42', 00.79" west longitude (degrees, minutes, seconds) at approximately 350 meters elevation. The closest community is the town of Gobernador Gregores, situated approximately 50 road kilometers (km) to the west-southwest of Martha.

The property was purchased in 2016 by Cerro Cazador SA (CCSA), an Argentine subsidiary of the Company, from an Argentine subsidiary of Coeur Mining Inc. (Coeur). The intent to purchase was announced February 10, 2016 and closed May 11, 2016 as disclosed by the Company on its website (www.patagoniagold.com). See note 8 of the 2017 financial statements for details on the purchase of the Mina Martha property. The processing plant at the Martha Project has an estimated useful life of 8 years as it is anticipated that this plant will be used to process mineral from the Martha and the La Josefina projects.

The Martha property consists of approximately 7,850 hectares of concessions, various buildings and facilities, surface and underground mining and support equipment, a 480 tonne per day (tpd - maximum) crushing, grinding and flotation plant, tailings facility, various stockpiles and waste dumps, employee living and cafeteria quarters, and miscellaneous physical materials. The Company restored and repaired the physical assets acquired in the purchase during the latter part of 2016 and the first quarter of 2017. The In addition, the Company has access to surface ranch ("estancia") lands surrounding the mine and mill site that are approximately 35,700 hectares in size.

Royal Gold Inc. holds a 2% Net Smelter Return (NSR) royalty on all production from the Martha property; the obligation for which transferred from Coeur to the Company (www.royalgold.com). In addition, the provincial government holds a 3% pit-head royalty from future production

La Josefina Project

A NI 43-101 compliant technical report, dated September 29, 2010 and prepared by Gustavo Fernandez from UAKO Geological Consulting, which included the Ailin vein, is on file on www.sedar.com.

In March 2007, the Company acquired the exploration and development rights to the La Josefina project from Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz").

In July 2007, the Company entered into an agreement (subsequently amended) with Fomicruz which provides that, in the event that a positive feasibility study is completed on the La Josefina property, a Joint Venture Corporation ("JV Corporation") would be formed by the Company and Fomicruz. The Company would own 81% of the joint venture company and Fomicruz would own the remaining 19%. Fomicruz has the option to earn up to a 49% participating interest in the JVCorporation by reimbursing the Company an equivalent amount, up to 49%, of the exploration investment made by the Company. The Company has the right to buy back any increase in Fomicruz's ownership interest in the JV Corporation at a purchase price of USD$200,000 per each percentage interest owned by Fomicruz down to its initial ownership interest of 19%; the Company can also purchase 10% of the Fomicruz's initial 19% JV Corporation ownership interest by negotiating a purchase price with Fomicruz. Under the agreement, the Company has until the end of 2019 to complete cumulative exploration expenditures of $18 million and determine if it will enter into production on the property. At December 31, 2018, the Company had incurred approximately $20 million and is in current discussions with Fomicruz to develop a plan for production.

The La Josefina Project is situated about 450 km northwest of the city of Rio Gallegos, in the Santa Cruz province of Argentina within a scarcely populated steppe-like region known as Patagonia. The La Josefina property occupies 52,800 hectares and makes up approximately 90% of all meters drilled by the Company.

The La Josefina Project consists of mineral rights composed by an area of 528 square kilometers established in 1994 as a Mineral Reserve held by Fomicruz. The La Josefina Project comprises 16 Manifestations of Discovery totaling 52,767 hectares which are partially covered by 399 pertenencias

La Valenciana Project

The La Josefina Project is situated about 450 km northwest of the city of Rio Gallegos, in the Santa Cruz province of Argentina within a scarcely populated steppe-like region known as Patagonia. The La Josefina property occupies 52,800 hectares and makes up approximately 90% of all meters drilled by the Company.

The La Josefina Project consists of mineral rights composed by an area of 528 square kilometers established in 1994 as a Mineral Reserve held by Fomicruz. The La Josefina Project comprises 16 Manifestations of Discovery totaling 52,767 hectares which are partially covered by 399 pertenencias

Bajo Pobre Property

The Bajo Pobre property covers 3,190 hectares and is mainly on the Estancia Bajo Pobre. The property is located 90 kilometers south of the town of Las Heras. No exploration activity has taken place on the Bajo Pobre Property and no exploration activity is planned for the immediate future.

El Gateado Property

In March 2006, CCSA acquired the right to conduct exploration on the El Gateado property through a claim staking process for a period of at least 1,000 days, commencing after the Government issues a formal claim notice, and retain 100% ownership of any mineral deposit found within. El Gateado is a 10,000-hectare exploration concession filed with the Santa Cruz Provincial mining authority. The El Gateado property is located in the north-central part of Santa Cruz province, contiguous to La Josefina on the east

The Company has not yet received a formal claim notice pertaining to the El Gateado property. Should a mineral deposit be discovered, CCSA has the exclusive option to file for mining rights on the property. The surface rights of the El Gateado claim are held by the following Ranches, Estancia Los Ventisqueros, Estancia La Primavera, Estancia La Virginia and Estancia Piedra Labrada. The El Gateado claims are filed with the government under file #406.776/DPS/06.

The El Gateado project is without known reserves as defined by SEC industry Guide No. 7. No exploration activity has taken place on El Gateado Property and no exploration activity is planned for the immediate future.

Operating results – Revenues and Expenses

During the nine months ended September 30, 2019, the Company earned total revenue of $16,194,000 (nine months ended September 30, 2018 - $37,790,000). Gold and silver sold by The Company is attributed to Cap-Oeste and Lomada de Leiva Projects. Cap-Oste has produced a total of 8,638 oz AuEq (nine months ended September 30, 2018 – 35,230 oz AuEq). The cash costs for the nine months were US$605/oz and US$690/oz including depreciation and amortization. Lomada has produced a total of 3,060 oz Au (nine months ended September 30, 2018 – nil oz Au). Cash costs for the nine months were US$462/oz and US$621/oz including depreciation and amortization.

The decrease in cost of sales to $10,697,000 from $18,956,000 in 2018 was largely owing to the close of Lomada and put Cap-Oeste on care and maintenance mentioned above.

The Company recorded net loss of $5,270,000 (nine months ended September 30, 2018 – net profits of $1,089,000) due to decrease of revenue and the write down of inventories recognized owing to the close of Lomada and put Cap-Oeste on care and maintenance.

Silver and gold recovery (loss), net of expenses is attributed to the sale of gold and silver from the Company's Martha and La Josefina properties. During the nine months ended September 30, 2019 the Company sold 855 ounces of gold at an average price of $1,435 and 49,583 ounces of silver at an average price of $15.35 for net proceeds of $1,747,589. 89 tonnes of gold/silver concentrate were shipped during the nine months ended September 30, 2019 with average grades of Au 298.83 g/mt and Ag 17,327.98 g/mt.

Results of Operations for the nine months ended September 30, 2019

	September 30, 2019	**September 30, 2018**	**Change** Favorable (Unfavorable)
Net income (loss) for the period	(5,270)	1,089	(6,359)
Net income (loss) per share – basic and diluted:	(0.01)	0.06	(0.07)

	September 30, 2019	**December 31, 2018**	**Change** Favorable (Unfavorable)
Working capital	(22,644)	(17,541)	(5,103)
Total assets	78,564	47,208	31,356
Total non-current liabilities	15,038	2,027	(13,011)
Total shareholders' equity	34,003	15,771	18,232

The working capital change is owing to the net realizable value of the inventory is less than the costs incurred in establishing the ore stockpile and therefore a write down was required. The write down has been recognized within Other operating expenses, $2.4 million for Cap-Oeste. The other reason was the company received during the first nine months of 2019 payment of approximately $2.9 million for the recovery value added tax.

The net loss for Q3 2019 was $5.3 million compared with a net income of $1.1 million in Q3 2018. Unfavorable changes were due to decrease of revenue and the write down of inventories recognized owing to the close of Lomada and put Cap-Oeste on care and maintenance.

The change in equity was related to the reverse acquisition between Hunt Mining Corp and Patagonia Gold PLC.

Total assets change was primarily due to the Goodwill generated as part of the reverse acquisition (See Note 24) and the normal fluctuations in operations, reduction in inventory levels and depreciation of property, plant and equipment.

Non-current liabilities increased as a result of reclassification of current debt to long-term.

Patagonia Gold Corp.

Unaudited -Expressed in thousands of U.S. Dollars

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

		3 month period ended September 30,		9 month period ended September 30,	
	NOTE	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
REVENUE		5,545	9,479	16,194	37,790
COST OF SALES		(2,716)	(3,011)	(10,697)	(18,956)
GROSS PROFIT		2,829	6,468	5,497	18,834
OPERATING INCOME (EXPENSES):					
Other operating expense	8	(34)	-	(2,403)	-
Exploration expenses		(872)	(111)	(2,263)	(763)
Administrative expense	20	(1,558)	(1,553)	(6,139)	(16,969)
Share-based payments expense	18	(294)	-	(335)	(103)
Interest expense		(485)	(182)	(1,299)	(1,262)
Total operating expenses:		(3,243)	(1,846)	(12,439)	(19,097)
OTHER INCOME/(EXPENSE):					
Silver and gold recovery (loss), net of expenses	27	182	-	182	-
Interest income		72	15	98	106
Accretion expense	10	-	(145)	(454)	(434)
Total other income (expense):		254	(130)	(174)	(328)
INCOME (LOSS) - before income taxes		(160)	4,492	(7,116)	(591)
Income tax recovery (expense)		612	(30)	1,846	1,680
NET INCOME (LOSS) FOR THE PERIOD		452	4,462	(5,270)	1,089

Variance Analysis for Net Income (Loss)

The net loss for Q3 2019 was $5.3 million compared with a net income of $1.1 million in Q3 2018. Unfavorable changes were due to decrease of revenue and the write down of inventories recognized owing to the close of Lomada and put Cap-Oeste on care and maintenance.

Cash flow discussion for the nine-month period ended September 30, 2019 compared to September 30, 2018

The cash inflow from operating activities for the nine months ended September 30, 2019, was $1,167,000, a decrease of $5,780,000 compared with inflows of $6,947,000 for the same period in 2018. Net losses for the nine months ended September 30, 2019 were $6,359,000 greater compared with the net profit for the nine months ended September 30, 2018. Cash from operations decreased mostly due to the company had cash inflows for inventory decreases of $1,339,000 in 2019, while in the same period of 2018, it had cash inflows of $8,165,000.

The decrease in cash outflows from investing activities was primarily due to purchase of mining rights, in 2018 the Company has acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline Argentina S.A. (“MASA”), the difference between the fair value of the net asset and the price paid for the 100% of the shares of MASA, $14.6 million, is related to the rights to explore and mine the Calcatreu Deposit.

Cash inflows from financing activities was due to the acquisition of new debt.

Financial Position

Cash

The Company’s cash position at September 30, 2019 within normal operational levels from December 31, 2018. The details of changes in cash are outlined above.

Accounts receivables

During the first nine months of 2019, the Company received payments of approximately $2.9 million for the recovery value added tax.

Inventory

Gold and silver inventory of $2,199,000 from December 31, 2018 was sold during the nine months ended September 30, 2019 and a write down of $ 2,367,000 was recognized owing to the close of Lomada and put Cap-Oeste on care and maintenance. Materials and supplies inventory decreased from $1,719,000 at December 31, 2018 to $1,707,000 at September 30, 2019 as part of normal operational fluctuations.

Property, Plant and equipment

Property, plant and equipment mainly changed from prior period were due to the reverse acquisition (Note 24) and depreciation expense in 2019.

Goodwill

As part of the reverse acquisition, the Company issued 254,355,192 Common Shares in exchange for all of the issued and outstanding shares of Patagonia Gold PLC. Details of goodwill are disclosed in Note 24 of these condensed interim consolidated financial statements

Mineral Properties

Changes in mineral properties were due to those acquired as part of the reverse acquisition. See note 24 of these condensed interim consolidated financial statements for details.

Accounts payable, accrued liabilities, bank indebtedness and accounts payable with related parties

Bank overdraft balance at December 31, 2018 was $12,381,000 but during the first nine months of 2019, the Company increased this balance owing to $14,748,000.

In February 2019, the Company announced that its largest shareholder, Cantomi, a company owned and controlled by the Company's Non-Executive Chairman, Carlos Miguens, had provided a two year US$15 million loan facility that will be utilized to fund the Company's activities going forward, while the review of the Cap-Oeste underground option is ongoing together with the Feasibility Study of its flagship Calcatreu project. At September 30, 2019 the balance was 8,063,000.

Accounts payable, accrued liabilities, and transaction taxes payable increased due to normal fluctuations in operations as well as due to the liabilities acquired as part of the reverse acquisition. Details of this acquisition are disclosed in note 24 of the financial statements.

Capital Stock

Capital stock changed as a result of the reverse acquisition. Details of these changes are reflected in the condensed interim consolidated statement of changes in stockholders' equity and notes 18 and 25 of these condensed interim consolidated financial statements.

Liquidity and Capital Resources

At September 30, 2019, the Company had a negative working capital of $22,644,000 as compared to a negative working capital of $17,541,000 at December 31, 2018. The working capital change is owing to the net realizable value of the inventory is less than the costs incurred in establishing the ore stockpile and therefore a write down was required. The write down has been recognized within Other operating expenses, $2.4 million for Cap-Oeste. The other reason was the company received during the first nine months of 2019 payment of approximately $2.9 million for the recovery value added tax.

Off-balance sheet arrangements

At September 30, 2019, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Transactions with related parties

Details of transactions with related parties are disclosed in Note 19 of these condensed interim consolidated financial statements.

Recently issued Accounting Pronouncements

Details of recently issued accounting pronouncements are disclosed in Note 5 of these condensed interim consolidated financial statements.

Critical Accounting Estimates

Details of critical accounting estimates are disclosed in Note 6 of these condensed interim consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKETRISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2019.

Our management, with the participation of our president (our principal executive officer, principal accounting officer and principal financial officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on this evaluation, our president (our principal executive officer, principal accounting officer and principal financial officer) has concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information that is required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our president (our principal executive officer and our principal accounting officer and principal financial officer), as appropriate, to allow timely decisions regarding required disclosure

Evaluation of Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our president (our principal executive officer and our principal accounting officer and principal financial officer), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of our Company are being made only in accordance with authorizations of management and directors of our Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has conducted, with the participation of our president (our principal executive officer and our principal accounting officer and principal financial officer), an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2019 in accordance with the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control — Integrated Framework. Based on this assessment, management concluded that as of September 30, 2019, our company's internal control over financial reporting was effective based on present Company activity

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting identified in connection with the evaluation described above during the quarter ended September 30, 2019 that has materially affected or is reasonably likely to materially affect our internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings: There are no proceedings to report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. None

Item 3. Default Upon Senior Securities: There are no defaults to report.

Item 4. Mine Safety Disclosures: N/A

Item 5. Other Information: None

ITEM 6. EXHIBITS

Exhibit Number	Document Description
10.1	Scheme of Arrangement dated June 20, 2019 between Patagonia Gold PLC and the Holders of the Scheme Shares.
10.2	Terms and Conditions of an Irrevocable Offer to enter into a Property Option Agreement among Latin Metals Inc. and Cardero Argentina S.A. and Patagonia Goldcorp in respect of the Mina Angela Property, Argentina dated August 7, 2019

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, on this 27th day of November, 2019.

PATAGONIA GOLD CORPORATION
(the "Registrant")

BY: ***CHRISTOPHER VAN TIENHOVEN***
Christopher van Tienhoven
Principal Executive Officer

BY: ***CRISTIAN LOPEZ SAUBIDET***
Cristian Lopez Saubidet
Principal Financial Officer and Principal Accounting Officer

EXHIBIT INDEX

Exhibit Number	Document Description
10.1	Scheme of Arrangement dated June 20, 2019 between Patagonia Gold PLC and the Holders of the Scheme Shares.
10.2	Terms and Conditions of an Irrevocable Offer to enter into a Property Option Agreement among Latin Metals Inc. and Cardero Argentina S.A. and Patagonia Goldcorp in respect of the Mina Angela Property, Argentina dated August 7, 2019.