

PATAGONIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2019

June 15, 2020

The following management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2019 including the related note disclosures. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

This MD&A includes certain non-GAAP financial performance measures. For a detailed description of these measures, please see "Non-GAAP Financial Performance Measures" at the end of this item. The amounts presented in this MD&A are in thousands (\$'000) of U.S. dollars unless otherwise noted.

Additional information relevant to the Company's activities can be found on their website at <http://patagoniagold.com>, 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 MD&A 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.

SEC has replaced Industry Guide 7 with subpart 1300 of Regulation S-K which will come into effect on January 1, 2021. The requirements under this new regulation converge with the requirements under NI 43-101 with the exception of a few items. Early adoption of the regulation is permitted but at this time, the Company has not elected for the early adoption of subpart 1300 of Regulation S-K.

Special Note on Forward-Looking Statements

Certain statements contained in this MD&A (including information incorporated by reference) are "forward-looking statements." The Company's forward-looking statements include current expectations and projections about future production, results, performance, prospects and opportunities, including reserves and other mineralization. The Company has tried to identify these forward-looking statements by using words such as "may," "might," "will," "expect," "anticipate," "believe," "could," "intend," "plan," "estimate" and similar expressions. These forward-looking statements are based on information currently available and are expressed in good faith and believed to have a reasonable basis. However, the forward-looking statements are subject to risks, uncertainties and other factors that could cause actual production, results, performance, prospects or opportunities, including reserves and mineralization, to differ materially from those expressed in, or implied by, these forward-looking statements.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements. Projections and other forward-looking statements included in this MD&A have been prepared based on assumptions, which the Company believes

to be reasonable, and in accordance with United States generally accepted accounting principles ("GAAP") or any guidelines of the Securities and Exchange Commission ("SEC"). Actual results may vary, perhaps materially. Readers are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral forward-looking statements attributable to Patagonia Gold Corp. or to persons acting on the Company's behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Overview

On July 24, 2019, Patagonia Gold Corp. (PGDC.TSXV – “the Company” or “Patagonia”) [formerly Hunt Mining Corp (“Hunt”, or “Hunt Mining”)] and Patagonia Gold PLC (“PGP”) completed a reverse acquisition (or the “reverse takeover” or the “RTO”) resulting in Hunt acquiring all issued shares of common stock of PGP in exchange for common shares of Hunt on the basis of 10.76 Hunt shares for each PGP share. Hunt issued 254,355,192 common shares to the shareholders of PGP representing an ownership interest of approximately 80%. The operating name of Hunt Mining Corp. was changed to Patagonia Gold Corp (Note 26 of the financial statements).

As a result of the RTO, former shareholders of PGP acquired control of the Company, and the transaction was accounted for as an RTO that constitutes a business combination for accounting purposes and is accounted for using the acquisition method under ASC 805. PGP 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. However, the equity structure (that is, the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued in connection with the RTO. Transaction costs incurred in connection with the reverse acquisition, other than costs associated with financings, were expensed as incurred.

Comparative information for the Company is that of PGP. These figures were originally prepared under International Financial Reporting Standards (“IFRS”) and have been converted to conform with US Generally Accepted Accounting Principles (“US GAAP”). The legal parent post-RTO is Patagonia, which is required to present its financial statements in accordance with US GAAP. In summary, the comparative information for these statements is from PGP, presented in US GAAP to conform with the current requirements of Patagonia.

Patagonia 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 mineral resources and mineral reserves in the 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 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 (formerly Patagonia Gold PLC)	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.	Canada	100	CAD\$	Nominee Shareholder
Hunt Gold USA LLC	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.

The Company holds, directly or indirectly through its subsidiaries or under option agreements, the mineral rights to over 360 property interests in Argentina and Chile. These include the mineral rights to 67 property interests in the province of Santa Cruz covering approximately 281,000 hectares held by the Company's 90% owned Argentinian subsidiary, Patagonia Gold S.A. ("PGSA") and to 51 property interests covering approximately 246,000 hectares held by its wholly owned Argentinian subsidiary Minera Minamalu S.A.

Patagonia is one of the largest landholders in the very prospective province of Santa Cruz. Currently its sole producing mine in the region is the Martha mine acquired via the RTO. Formerly owned and operated by Coeur Mining Inc. (formerly Cour d'Alène Mines Corp.) and Yamana, Hunt acquired the mine in May 2016 with production of gold and silver recommencing in January 2017.

Following cessation of open pit operations at Cap-Oeste, work is continuing to evaluate the development of the high-grade underground resource which contains approximately 300,000 oz AuEq at 20 g/t Au.

Other projects in Santa Cruz are at different stages of development. The principal projects are La Josefina, La Valenciana, El Tranquilo, La Paloma and La Manchuria. Other less advanced projects include Los Toldos, Sarita, El Gateado and Bajo Pobre together with exploration properties El Tordillo, El Alazan, and El Overo.

The Company's principal project is Calcatreu located in Rio Negro province: a gold/silver project which it acquired in January 2018 through the acquisition of Minera Aquiline Argentina S.A., a subsidiary of Pan American Silver. Calcatreu, has a resource of over one million oz AuEq and the Company's immediate aim is to commence a drilling programme to increase the existing resources and advance the project to feasibility study stage during 2020.

The Company has developed a portfolio of highly prospective, grassroots and more advanced projects, with many that exhibit the potential to host high grade, gold and silver bearing vein systems. The Company's long-term goal is to discover world class assets through exploration and is currently focused on growing its mineral resources and advancing them into production.

On some properties, ongoing production and sales of gold- and silver-being undertaken without established mineral resources and/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 those 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.

Results of Operations

For the Years Ended December 31, 2019 compared to December 31, 2018

Operating results – revenue and expenses

For the year ended December 31, 2019, the Company earned total revenue of \$21,938 (December 31, 2018 - \$47,441). Gold and silver sold by the Company is attributed to Cap-Oeste, Lomada de Leiva and Mina Martha Projects. Cap-Oeste has produced a total of 10,585 oz AuEq (7,796 oz Au and 237,727 oz Ag) (December 31, 2018 – 42,900 oz AuEq). The cash costs for the year were US\$573/oz¹ and US\$651/oz¹ including depreciation and amortization. Lomada has produced a total of 3,969 ounces of gold (December 31, 2018 – 486 oz Au). The cash costs were US\$437/oz¹ and US\$580/oz¹ including depreciation and amortization. Mina Martha has produced a total of 1,008 oz AuEq (232 oz Au and 65,620 oz Ag). The cash costs were US\$714/oz¹ and US\$805/oz¹ including depreciation and amortization.

Cost of sales for December 31, 2019 were \$16,430 compared to \$36,361 for December 31, 2018, largely owing to the close of Lomada and putting Cap-Oeste on care and maintenance.

The Company recorded net loss of \$9,675 (December 31, 2018 - \$7,846) 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.

¹ See Non-GAAP Financial Performance Measures

Summary of Results of Operations

	December 31, 2019 \$'000	December 31, 2018 \$'000	Change Favorable (Unfavorable) \$'000
Revenue	\$ 21,938	\$ 47,441	\$ (25,503)
Net income (loss) for the year	\$ (9,675)	\$ (7,846)	\$ (1,829)
Net income (loss) per share – basic	\$ (0.03)	\$ (0.03)	\$ -
Net income (loss) per share – diluted	\$ (0.03)	\$ (0.03)	\$ -
Working capital	\$ (22,484)	\$ (17,541)	\$ (4,943)
Total assets	\$ 54,789	\$ 47,208	\$ 7,581
Total non-current liabilities	\$ 17,581	\$ 1,305	\$ (16,276)
Total shareholders' equity	\$ 9,176	\$ 16,493	\$ (7,317)

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 \$2.4 million write down for Cap-Oeste has been recognized in cost of sales. The other reason was the Company received during the year ended 2019 a payment of approximately \$2.9 million for the recovery value added tax.

The net loss for the year ended December 31, 2019 was \$9,675 compared with a net loss of \$7,846 for the year ended December 31, 2018. Unfavorable changes were due to decrease of revenue and the write down of inventories recognized owing to the close of Lomada and the placement of Cap-Oeste on care and maintenance.

The change in equity was related to the reverse acquisition between Hunt and PGP and the net loss for the year.

Total assets change was primarily due to the reverse acquisition (See Note 26 of the financial statements) 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 the use of the loan facility of US\$15 million provided for its largest shareholder, Cantomi, a company owned and controlled by the Company's Non-Executive Chairman, Carlos J. Miguens. At December 31, 2019 the balance was US\$7.9 million.

Cash flow discussion for the year ended December 31, 2019 and 2018

The cash inflow from operating activities for the year ended December 31, 2019, was \$2,774, a decrease of \$8,995 compared with inflows of \$11,769 for the same period in 2018. This is mainly due to net losses for the year ended December 31, 2019 in the amount of \$9,675 compared to net loss for the year ended December 31, 2018 of \$7,846.

Cashflow from investing activities were negative \$880 for the year ended December 31, 2019 compare to \$11,858 for the year ended December 31, 2018. The large variance in cash outflows from investing activities was primarily due to purchase of mining rights, during the year ended December 31, 2018 for \$14,612. The Company had 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, \$14,612, is related to the rights to explore and mine the Calcatreu Deposit.

Cash from financing activities for the year ended December 31, 2019 and 2018 was \$593 and negative \$4,470 respectively. The difference is due to the acquisition of new debt and repayment of debt.

Financial Position

Cash

Cash stated consistent from the year ended December 31, 2019 and 2018. This was a result of lower production and sales levels during the year ended December 31, 2019.

Receivables

The reduction in sale played a significant role in the Company's decreased current accounts receivable balance for the year ended December 31, 2019. Receivables decreased from \$4,923 for the year ended December 31, 2018 to \$1,516 for the year ended December 31, 2019 a decrease of \$3,407 or 69%.

Inventory

Inventory decreased for the year ended December 31, 2019 compare to December 31, 2018 decreasing by \$2,939 from \$6,286 to \$3,347. The decrease can be attributed due to normal operational fluctuations, closure of Lomada and put Cap-Oeste on care and maintenance and write downs of inventory.

Property, plant and equipment

Property, plant and equipment increased by \$1,030 from December 31, 2018 to December 31, 2019 mainly because of additions attributed to the reverse acquisition (Note 26 of the financial statements).

Mineral Properties

Changes in mineral properties were due to those acquired as part of the reverse acquisition. See Note 26 of these consolidated financial statements for details.

Accounts payable, accrued liabilities, bank indebtedness and taxes payable.

In February 2019, the Company announced that its largest shareholder, Cantomi, a company owned and controlled by the Company's Non-Executive Chairman, Carlos J. 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. As of December 31, 2019, the balance was \$7,908.

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 26 of the consolidated financial statements.

Capital Stock

Capital stock changed as a result of the reverse acquisition. Details of these changes are reflected in the consolidated statement of changes in stockholders' equity and Notes 20 and 26 of the consolidated financial statements.

Mineral Properties

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.

In February 2019, the Company reviewed the production profile for 2019 for Cap-Oeste and Lomada. Given the expected lower production volumes from Cap-Oeste and the lower than anticipated recoveries from Lomada, the Board took the decision to close Lomada and put Cap-Oeste on care and maintenance until a suitable solution to extract and process the high-grade underground resource from Cap-Oeste has been identified. In this regard, the Company is working on final design on the Cap-Oeste underground mine.

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.

The majority of the Company's assets are located in Argentina. The Company's material mining properties consist of

- Approximately 81,000-hectare parcel on which the Company's Cap-Oeste and El Tranquilo project are located
- Approximately 59,200-hectare parcel on which the Company's Lomada project is located
- Approximately 41,800-hectare parcel on which the Company's Calcatreu project is located
- Approximately 5,500-hectare parcel on which the Company's La Manchuria project is located
- Approximately 52,800-hectare parcel on which the Company's La Josefina project is located
- Approximately 29,600-hectare parcel on which the Company's La Valenciana project is located
- Approximately 35,700-hectare parcel on which the Company's Martha project is located

The Company owns the surface rights to over 108,200 hectares of land encompassing the Estancia (ranch) La Bajada, the Estancia El Tranquilo, the Estancia El Rincon, the Estancia 1° de Abril and the Estancia La Josefina. The Company has clear title and outright ownership over Estancia La Bajada, Estancia El Tranquilo, Estancia 1° de Abril and Estancia La Josefina. 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 estancia includes the Lomada Project.

During 2019, the Company held, directly or indirectly through its subsidiaries or under option agreements, the mineral rights to over 360 property interests in Argentina, Chile and Uruguay. On December 10, 2019, the Company terminated its activities and interests in Uruguay.

It also owns a processing plant located at the Martha project, mobile and fixed housing units, trucks and additional mechanical equipment, all purchased within the last ten years and in good physical condition.

Calcatreu Project

The Company's principal project is Calcatreu located in south central Rio Negro province approximately 80 km south west of the town of Jacobacci. Calcatreu is located in the Jurassic-aged Somuncura Massif along the NW to SE-oriented, regional-scale Gastre Fault System; a highly prospective belt of Mesozoic-aged rocks and structures and base and precious metal mineral deposits occurring in both the provinces of Chubut and Rio Negro. The massif is similar in geologic character to the larger Deseado Massif in the province of Santa Cruz to the south. Patagonia Gold has also recently acquired new concessions, totaling more than 100,000 ha along this belt in Rio Negro province. Calcatreu is a gold and silver project acquired in January 2018 through the acquisition of Minera Aquiline Argentina SA, a subsidiary of Pan American Silver and the Company's immediate aim is to commence a drilling program to increase the existing resources and advance the project to feasibility study stage during 2020. Precious metal mineralization in the Somuncura Massif, like that on the Company's Calcatreu property, is largely epithermal in character within quartz-rich veins, vein clusters, stockworks and as disseminations. Sulfide minerals are ubiquitous in the mineral deposits as well as a suite of temporally- and spatially-related gangue minerals typical of epithermal deposits in the massif and elsewhere. More specifically, the gold and silver deposits on the Company's properties are classified as low- and intermediate-sulfidation styles of epithermal deposits.

The Calcatreu Deposit is a low sulphidation, epithermal gold and silver system with mineralisation outcropping at surface. An independent mineral resource estimate (“MRE”) was completed by Micon International Limited of Toronto in 2004 for the Calcatreu Deposit and disclosed in an NI 43-101 technical report for Aquiline Resources Inc. Mineral resources were estimated for two vein systems on the property: Veta 49 and Nelson and consisted of 6.2 M tonnes of indicated resources grading 3.04 g/t Au and 28.1 g/t Ag and 1.9 M tonnes of inferred resources grading 2.1 g/t Au and 19.4 g/t Ag. In 2018, CUBE Consulting Ltd. (“CUBE”) of Australia prepared an updated mineral resource estimate for the Calcatreu project, effective 31 December 2018, which consists of an indicated resource of 9.8 M tonnes grading 2.11 g/t Au and 19.83 g/t Ag (2.36 g/t AuEq) and 8.1 M tonnes of inferred grading 1.34 g/t Au and 13.09 g/t Ag (1.5 g/t AuEq); all contained within Veta 49, Nelson, Belen and Castro Sur veins. Gold equivalent (“AuEq”) values were calculated at a ratio of 81:25:1 Ag/Au. The changes from the previous estimate were due to a revised interpretation of prior and new data collected by the company. The 2018 exploration work at Calcatreu consisted of project-scale geological mapping along with a pole-dipole, induced polarization and resistivity (IP/Res) geophysical survey, followed by a diamond drill program of 6,495 meters.

A geophysical survey, consisting of 20 lines totaling 46.5km, was commissioned by the Company and covered the area between Castro Sur (to the north) and Veta (vein) 49 (to the south). Its objective was to detect the presence of hidden NNE-trending dilational fault and vein sections, similar to those at Veta 49, or any other structure with exploration potential for the development of additional mineral resources in the immediate vicinity of the Veta 49 / Nelson deposits, hosting the current mineral resource at Calcatreu. The survey resulted in new target definition and ranking.

Accordingly, a drill program consisting of several geophysical-based drill targets was designed. The first, and main, part of the drill program consisted of testing covered conceptual geophysical targets, whereas the last few drill holes were focused on expanding the known mineral resources at Veta 49, Belen and Castro Sur, by extrapolating the trend and plunge of known mineralisation.

Using the 2018 drill results and geologic interpretation, CUBE completed an updated, independent NI 43-101 compliant mineral resource estimate (please see the table of the Company’s mineral resources herein and the respective, supporting NI 43-101 technical reports on file at www.sedar.com).

The updated mineral resource estimate, completed by CUBE is tabulated below:

Zone	CALCATREU INDICATED RESOURCES						
	K Tonnes	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	CALCATREU INFERRED RESOURCES						
	K Tonnes	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

¹AuEq calculations used an 81.25:1 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

The exploration program during 2019 was mostly focused in surface work, a total of 41.28 linear kilometers of Pole-Dipole ground geophysical surveying was conducted over the main Nelson targets and Castro Norte, Fiero, Sabrina and Viuda de Castro areas, plus 121.5 linear kilometers of Ip-Grad over Nelson, Sabrina and Mariano. Further, 1,687.2 km of ground mag, covering 55.44sq km, were undertaken in the project covering several targets including the main V49 and Nelson. The objective was to identify non outcropping areas with potential to host mineralization as dilatational jogs, blind structures and others.

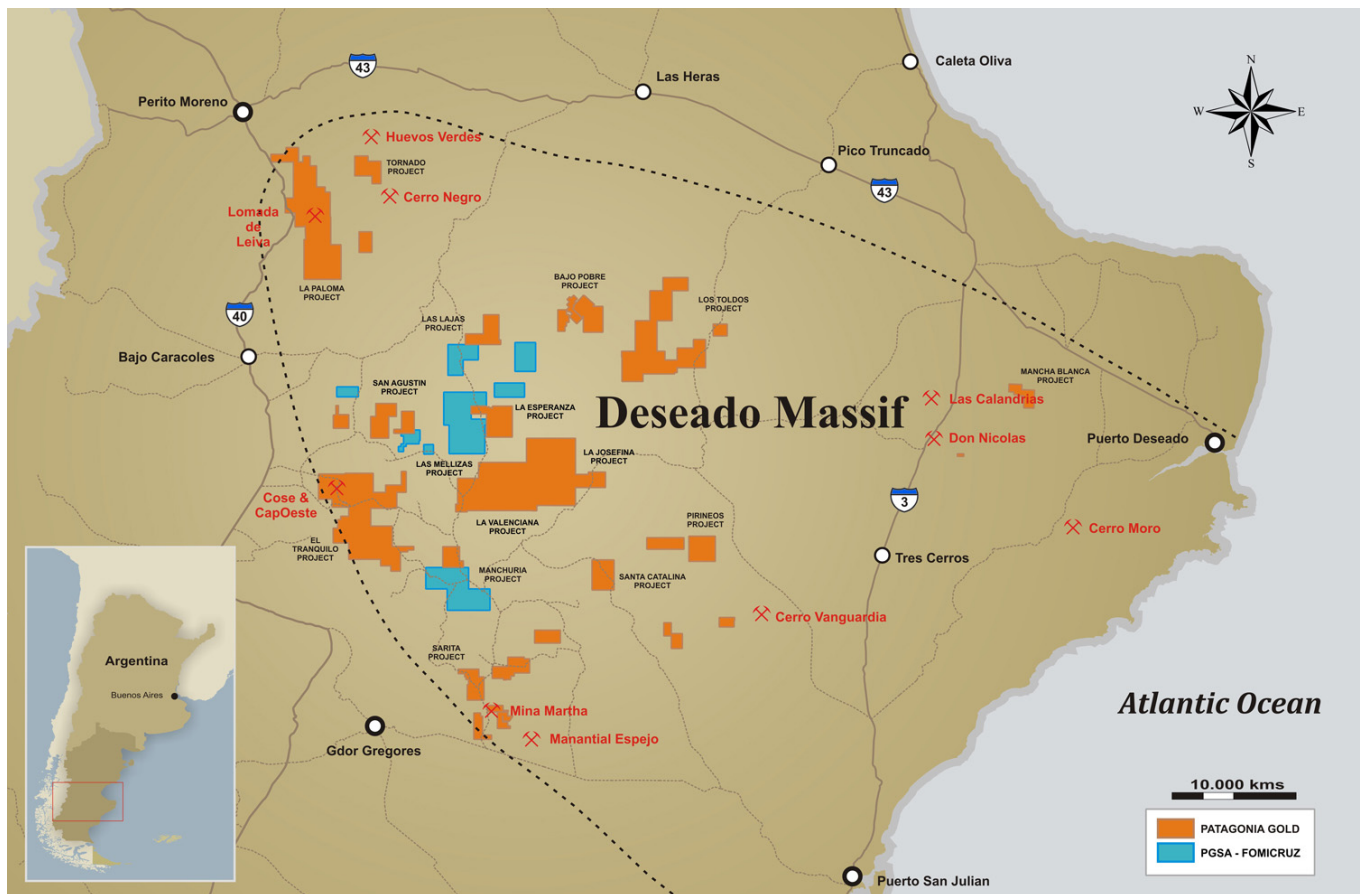
Mapping and sampling, several areas were detailed mapped, including Viuda de Castro, Trinidad, La Cruz, suboutcrops of Nelson extension, Piche, La Olvidada and Epu-Peni. About sampling, 254 rock chips sampled were taken, plus 81 saw channels sampled. Approximately 50% of the core of the project has been relogged, and in some areas up to 80, like V49 and Belen targets.

A RAB drilling campaign and channel (sawn) sampling was on progress during 2020 where all the activities were paused due to the novel coronavirus (COVID-19) pandemic.

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.

Santa Cruz Province

Geology of the land holdings is characterized by abundant middle-to-late Jurassic age volcanic and volcanoclastic rock units. All the projects in Santa Cruz province of Argentina are within the Deseado Massif, a prominent geomorphic and topographic feature, which is dominated by rhyolitic to rhyodacitic ignimbrite flows and lava domes together with scattered intrusive rocks, subordinate agglomerates, volcanic breccias and tuffs with minor basalts, andesites and volcanic agglomerates intercalated upward with mafic tuffs, conglomerates and sediments. Faults active during the period of intense Jurassic extension and volcanism generally trend NNW-SSE and form a series of graben, and horst blocks.



Location of Patagonia Gold Corporation’s mineral properties within the Deseado Massif of Santa Cruz, Argentina.

General Geology of the Deseado Massif

Middle-Late Jurassic bimodal volcanism, typical of a retroarc setting, developed during widespread extensional tectonism within the Deseado Massif. This geologic environment led to the formation of numerous low-sulfidation (LS) epithermal deposits that are spatially and temporally related to the volcanic activity. Most part of these LS deposits and their mineralization is genetically linked to the Late Jurassic-aged Chon Aike Formation and hosted by volcanic rocks of the Middle to Late Jurassic-aged Bajo Pobre Formation. The Deseado Massif can be considered as a differentiated Au-Ag Mesozoic, metallogenic province with epithermal episodes.

Cap-Oeste Project

Cap-Oeste is located within a structural corridor extending six kilometres from the La Pampa prospect in the northwest to the Tango prospect in the southeast. The Cap-Oeste deposit has an identified and delineated strike extent of 1.2 kilometres. Cap-Oeste has been on care and maintenance since February 2019.

Production from the existing heap leach pad continued during 2019 and yielded a total of 10,585 oz AuEq (7,796 oz Au and 237,727 oz Ag). The cash costs for the year were US\$573/oz² and US\$ 651/oz² including depreciation and amortization. A total of 10,991 AuEq ounces (8,236 Au and 234,441 Ag) were sold at an average gross price of \$ 1,363 per ounce AuEq during the year 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 a Cube Consulting NI 43-101 technical report and on file on www.sedar.com. The Company is now focused on evaluating the development of this high-grade part of the total mineral resources by underground mining. The Company is expecting quotations with respect to potential construction of an underground mine in Cap-Oeste. Material processing options are being considered and may include utilizing the Company's flotation facilities at Martha, about 100 kms to the southeast of Cap-Oeste. The Company has successfully carried out bulk metallurgical tests in the Martha process plant, obtaining good recovery results.

The Company has an asset retirement obligation for reclamation costs for Cap-Oeste Project of \$0.1 million as of December 31, 2019.

Lomada de Leiva Project (Lomada)

The Lomada mine was closed in May 2016 while production from the ongoing leaching continued through 2019, though at a reduced output. Given that the ore from the Lomada open pit mine was originally placed on the heap leach pad without crushing, the Company decided to return to Lomada to reprocess this ore. However, in mid-February 2019 the Company took the decision to cease operations and proceed with the closure of Lomada. On this year the Company was working on re handling material of leach pad to regenerate the solution percolation and generate new channels of circulation of solution.

During 2019, Lomada produced 3,969 ounces of gold. The cash costs for the year were US\$437/oz² and US\$ 580/oz² including depreciation and amortization. A total of 3,461 ounces of Au were sold at an average gross price of \$ 1,374 per ounce Au during the year 2019.

The Company has prepared an update to the closure plan presented and approved by the provincial authorities in 2017. The Company received the final approval on Nov 2019 and started with the works of remediation on the end of the year.

The Company has an asset retirement obligation for reclamation costs for the Lomada de Leiva Project of \$1.7 million as of December 31, 2019.

Mineral Resources

Cap-Oeste (Santa Cruz, AR) – Cube Consulting Dec 2018; Notes 1 and 2							
Classification	Tonnes (K)	Average Grades (g/t)			Contained Ounces (K)		
		Gold	Silver	Gold Equivalent	Gold	Silver	Gold Equivalent
Measured	3.4	2.92	46.7	3.59	0.3	5.3	0.4
Indicated	10,554.0	2.07	63.2	2.99	704.0	21,448.0	1,013.0
Meas+Ind	10,557.4	2.07	63.2	2.99	704.3	21,453.3	1,013.4
Inferred	4,895.0	1.37	34.7	1.87	215.0	5,467.0	294.0

² See Non-GAAP Financial Performance Measures

Calcatreu (Rio Negro, AR) – Cube Consulting Dec 2018; <small>Notes 3 and 4</small>							
Classification	Tonnes (K)	Average Grades (g/t)			Contained Ounces (K)		
		Gold	Silver	Gold Equivalent	Gold	Silver	Gold Equivalent
Measured							
Indicated	9,841.0	2.11	19.8	2.36	669.0	6,275.0	746.0
Meas+Ind	9,841.0	2.11	19.8	2.36	669.0	6,275.0	746.0
Inferred	8,078.0	1.34	13.1	1.50	348.0	3,399.0	390.0

La Manchuria (Santa Cruz, AR) – Micon 2019; <small>Notes 5 and 6</small>							
Classification	Tonnes (K)	Average Grades (g/t)			Contained Ounces (K)		
		Gold	Silver	Gold Equivalent	Gold	Silver	Gold Equivalent
Measured							
Indicated	474.0	2.59	129.0	3.53	39.5	1,969.0	53.9
Meas+Ind	474.0	2.59	129.0	3.53	39.5	1,969.0	53.9
Inferred	1,836.0	1.30	40.0	1.56	76.5	2,375.0	92.4

La Josefina (Santa Cruz, AR) – UAKO 2010; <small>Notes 7 and 8</small>							
Classification	Tonnes (K)	Average Grades (g/t)			Contained Ounces (K)		
		Gold	Silver	Gold Equivalent	Gold	Silver	Gold Equivalent
Measured	4,998.7	0.72	16.6	0.97	115.5	2,668.4	155.6
Indicated	1,525.9	0.83	1.8	0.85	40.5	88.7	41.8
Meas+Ind	6,524.6	0.74	13.1	0.94	156.0	2,757.1	197.4
Inferred	452.1	0.45	1.2	0.46	6.5	17.6	6.7

Notes

“K” = Thousands, “g/t” = grams per tonne

Rounding may affect sums and weighted averages

Mineral resources that are not mineral reserves have not demonstrated economic viability

100% basis; Fomicruz has a 5% interest in all Santa Cruz mineral interests.

1. Cap-Oeste 0.5 g/t AuEq cutoff
2. Cap-Oeste $AuEq = Au + (Ag * 69.4)$
3. Calcatreu 0.5 g/t AuEq cutoff
4. Calcatreu $AuEq = Au + (Ag * 81.25)$
5. La Manchuria 0.55 AuEq cutoff
6. La Manchuria $AuEq = (Au + Ag) / (Au \text{ price} * 0.32151)$
7. La Josefina 0.2 g/t AuEq cutoff
8. La Josefina $AuEq = Au + (Ag * 66.67)$

Exploration Update

Exploration during 2019 consisted mainly of regional reconnaissance, geological mapping, sampling, geophysics and drilling carried out at Rio Negro and 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 80 km 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 exploration program during 2019 was mostly focused in surface work, a total of 41.28 linear kilometers of Pole-Di-Pole have been surveyed over the main Nelson targets and Castro Norte, Fiero, Sabrina and Viuda de Castro areas, plus 121.5 linear kilometers of Ip-Grad over Nelson, Sabrina and Mariano. Further, 1,687.2 km of ground mag, covering 55.44sq km, were undertaken in the project covering several targets including the main V49 and Nelson. The objective was to identify non outcropping areas with potential to host mineralization as dilatational jogs, blind structures and others.

Mapping and sampling, several areas were detailed mapped, including Viuda de Castro, Trinidad, La Cruz, suboutcrops of Nelson extension, Piche, La Olvidada and Epu-Peni. About sampling, 254 rock chips sampled were taken, plus 81 saw channels sampled. Approximately 50% of the core of the project has been relogged, and in some areas up to 80, like V49 and Belen targets.

A RAB drilling campaign and Channel saw sampling was on progress during 2020 where all the activities were paused due to COVID-19 outbreak.

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.

Mina Angela

On August 13, 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. Pan American Silver's 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 and 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 approximately 2,000ha. Veinlets and narrow breccia zones indicative of hydrothermal activity were found at the Magali zone. Anomalous gold values were reported from the Cecilia zone. As a result, a new drill program for La Manchuria, of 2,000m in 14 holes is planned to test geophysical anomalies and to test gold anomalies generated from surface rock chip sampling. 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 10 km NW of the Company's Martha mine and mill, 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 Martha with Ag-rich, polymetallic, vein-hosted, intermediate sulphidation mineralization. The banded, silver- and gold- bearing quartz veins and quartz vein breccias occur within a set of NNW-SSE striking normal faults and constitute an extensive mineralized vein system, with more than 12 km in total outcropping length. Precious and base metal mineralization has been recognized in quartz veins and 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. Other exploration

activities at Sarita included geophysical surveys and drilling. Geophysical anomalies were identified by IP-Res lines [7.1 km] and by detailed ground magnetics [220 hectares] over different targets areas.

A proposal for testing those targets by drilling was defined and shallow geochemical testing, by RAB drilling (Rotary Air Blasting), comprised 198 drill holes in eight targets (Phase I: May 2019, 81 holes; Phase II: September 2019, 117 holes).

Martha Project

The Martha Project (“Martha” or “Mina Martha”) is located in the Province of Santa Cruz, Argentina. The closest community is the town of Gobernador Gregores, situated approximately 50 road kilometers (km) to the west-southwest of Martha. The property is the site of past exploration for, and surface and underground mining and recovery of, silver and gold from epithermal veins and vein breccias, previously operated by Coeur Mining Inc. (formerly, Coeur d’Alene Mine Corp.) and Yamana Inc.

The Company acquired Martha as part of its RTO of Hunt Mining Corp. in 2019. The land package at Martha 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. 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.

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.

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 Cap-Oeste underground, Martha Project and from La Josefina Project. 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.

In late 2019, a plan for reviewing near-mine targets (<5 km away from the mill) was defined. Those remaining targets consist of outcropping veins-veinlets. They included Veta del Medio System, Noroeste, Ivana, Martha Oeste, Martha Norte, Futuro and Sugar Hill among the mains. After encouraging results from sawn-channels (up to 1,000 gr/t Ag) at Veta del Medio System, a RAB drill program was carried out to test mineralization at shallow depths. A total of 65 drill holes (1,397.4 m; up to 25 m depth) tested several targets. Highly anomalous drill intercepts, up to 1m wide and grading 7,700 g/t Ag, were returned from the Veta del Medio Norte which is being considered for follow-up core drilling. Exploration continues to focus on remaining targets by combining systematic sawn-channelling, ground magnetics surveying and new drilling.

The Company has an asset retirement obligation for reclamation costs for the Mina Martha Project of \$0.8 million as of December 31, 2019.

La Josefina Project

In March 2007, the Company (Patagonia Gold) 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 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, 2019, 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.

An NI 43-101 compliant technical report on La Josefina, dated September 29, 2010 and prepared by Gustavo Fernandez from UAKO Geological Consulting, is on file on www.sedar.com.

The 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 tenements.

La Valenciana Project

La Valenciana is located on the central-north area of the Santa Cruz Province, Argentina. The project encompasses an area of approximately 29,600 hectares and is contiguous to the Company's La Josefina property to the east. The La Valenciana project is comprised of 11 Manifestations of Discovery (MDs) covering segments of Estancia Cañadón Grande, Estancia Flecha Negra, Estancia Las Vallas, Estancia La Florentina, Estancia La Valenciana and Estancia La Modesta (inactive ranches). In La Valenciana, exploration has been limited, with more than half of the surface without systematic exploration. Fomicruz carried out preliminary works defining a main vein system of low sulphidation epithermal style; with gold and silver values with base metals. Exploration and subsequent reconnaissance sampling by CCSA added other secondary targets and structures combining a total of 5.70 km mapped veins and stockworks. The limited exploration to date, alteration features and associated structures, and partial coverage by probable post-mineral units; suggest that there is still a high degree of discovery potential in the mining block. A new exploration program to define mineralization includes geophysical surveys and shallow drilling in new and known target areas and an intensive prospecting and reconnaissance sampling in the whole block of mining properties, is being considered. Mineral resources have not yet been defined on the La Valenciana property.

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. Mineral resources have not yet been defined on the Bajo Pobre property.

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, the company 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.

Mineral resources have not yet been defined on the El Gateado property. No recent exploration activity has taken place on El Gateado Property and no exploration activity is planned for the immediate future.

Qualified Persons

The scientific and technical information contained herein has been reviewed and approved by Donald J. Birak, an independent geologist and qualified person as defined under NI 43-101.

Segment Information

All of the Company's operations are in the mineral properties exploration industry with its principal business activity in mineral exploration. The Company conducts its activities primarily in Argentina. All of the Company's long-lived assets are located in Argentina.

The Company's net income/(loss) and its geographic allocation of total assets and total liabilities may be summarized as follow:

For the year ended December 31, 2019

	Lomada Project	Cap- Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	\$ 4,750	\$ 14,903	\$ -	\$ 2,285	\$ -	\$ -	\$ -	\$ 21,938
Cost of sales	(3,879)	(11,006)	-	(1,545)	-	-	-	(16,430)
Gross profit	\$ 871	\$ 3,897	\$ -	\$ 740	\$ -	\$ -	\$ -	\$ 5,508
Operating expense								
Exploration expense	\$ -	\$ (227)	\$ (1,300)	\$ (300)	\$ (1,931)	\$ -	\$ -	\$ (3,758)
Administrative expense	-	-	(279)	(871)	(4,072)	(1,433)	(307)	(6,962)
Depreciation expense	-	-	(18)	(115)	(67)	(100)	-	(300)
Impairment of mineral properties	-	-	-	-	-	(1,996)	-	(1,996)
Share-based payments	-	-	-	-	-	(40)	(87)	(127)
Interest expense	-	-	-	-	(765)	(782)	(584)	(2,131)
Total operating expense	\$ -	\$ (227)	\$ (1,597)	\$ (1,286)	\$ (6,835)	\$ (4,351)	\$ (978)	\$ (15,274)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ 34	\$ -	\$ 157	\$ -	\$ -	\$ 191
Gain/(loss) on foreign exchange	-	-	(11)	(152)	628	(440)	352	377
Accretion expense	(46)	(39)	-	(94)	-	-	-	(179)
Total other income/(expense)	\$ (46)	\$ (39)	\$ 23	\$ (246)	\$ 785	\$ (440)	\$ 352	\$ 389
Income/(loss) – before income tax	\$ 825	\$ 3,631	\$ (1,574)	\$ (792)	\$ (6,050)	\$ (4,791)	\$ (626)	\$ (9,377)
Income tax/(benefit)	-	-	(193)	(866)	761	-	-	(298)
Net income/(loss)	\$ 825	\$ 3,631	\$ (1,767)	\$ (1,658)	\$ (5,289)	\$ (4,791)	\$ (626)	\$ (9,675)

For the year ended December 31, 2018

	Lomada Project	Cap- Oeste Project	Calcatreu Project	COSE Project	Argentina Uruguay and Chile	UK	North America	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	\$ -	\$ 47,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,441
Cost of sales	-	(36,361)	-	-	-	-	-	(36,361)
Gross profit	\$ -	\$ 11,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,080
Operating expense								
Other operating income	\$ -	\$ -	\$ -	\$ 1,505	\$ -	\$ -	\$ -	\$ 1,505
Exploration expense	-	-	(1,720)	-	(82)	-	-	(1,802)
Administrative expense	-	-	(61)	-	(4,706)	(1,005)	(80)	(5,852)
Depreciation expense	-	-	(105)	-	(60)	-	-	(165)
Impairment of mineral properties	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	(190)	-	(190)
Interest expense	-	-	-	-	(1,275)	(390)	-	(1,665)
Total operating expense	\$ -	\$ -	\$ (1,886)	\$ 1,505	\$ (6,123)	\$ (1,585)	\$ (80)	\$ (8,169)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 142	\$ -	\$ -	\$ 142
Gain/(loss) on foreign exchange	-	-	(71)	-	(12,252)	1,026	(1,464)	(12,761)
Accretion expense	-	-	-	-	(578)	-	-	(578)
Total other income/(expense)	\$ -	\$ -	\$ (71)	\$ -	\$ (12,688)	\$ 1,026	\$ (1,464)	\$ (13,197)
Income/(loss) – before income tax	\$ -	\$ 11,080	\$ (1,957)	\$ 1,505	\$ (18,811)	\$ (559)	\$ (1,544)	\$ (10,286)
Income tax/(benefit)	-	-	-	-	2,440	-	-	2,440
Net income/(loss)	\$ -	\$ 11,080	\$ (1,957)	\$ 1,505	\$ (16,371)	\$ (559)	\$ (1,544)	\$ (7,846)

Liquidity and Capital Resources

At December 31, 2019, the Company had a working capital deficiency of \$22,484 as compared to a working capital deficiency of \$17,541 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 \$2.4 million write down for Cap-Oeste has been recognized within cost of sales. In addition, working capital decrease is due to a reduction in revenue decreasing receivables from \$4,923 for the year ended December 31, 2018 to \$1,516 for the year ended December 31, 2019.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to fund projects from raising capital from equity placements rather than long-term borrowings;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders in the future when new or existing exploration assets are taken into production.

These objectives will be achieved by maintaining and adding value to existing extraction projects and identifying new exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Company's means.

The Company sets the amount of capital in proportion to its overall financing structure (i.e. equity and financial liabilities). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders in the future, return capital to shareholders or issue new shares.

Off-balance sheet arrangements

As at December 31, 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 us.

COVID-19

Subsequent to the year ended December 31, 2019, the outbreak of the novel coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time but it could have a material impact on the Company's future operations and performance. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

With the lockdown measures implemented by the government of Argentina, the Company was forced to pause its activities for approximately 30 days. On April 2, 2020, the government declared mining as an essential service and the Company was able to resume operations at most of the sites.

Proposed Transactions

There are no proposed material transactions. However, as is typical of the mineral exploration and development industry, management continually reviews potential merger, acquisition, investment, and joint venture transactions and opportunities that could enhance shareholder value. There is no guarantee that any contemplated transaction will be concluded.

Contractual Obligations

	Total \$'000	Payments due by period			
		< 1 year \$'000	1-3 years \$'000	3-5 years \$'000	> 5 years \$'000
Long-term debt	12,220	200	12,020	-	-
TOTAL	\$ 12,220	\$ 200	\$ 12,020	\$ -	\$ -

Transactions between related parties

Details of transactions with related parties are disclosed in Note 21 of the financial statements.

Disclosure of Outstanding Share Data

As of June 15, 2020, the Company had 317,943,990 common shares outstanding.

As of June 15, 2020, the Company had 7,650,000 stock options outstanding with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

Critical Accounting Policies and Developments

Our discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis, including those related to provisions for uncollectible receivables, mineral reserves, inventories, asset retirement obligations, valuation of intangible assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The critical accounting judgements and estimated applied by the Company are set in Note 6 of the financial statements.

The accounting policies that we follow are set in Note 4 of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the preparation of the financial statements.

The recent accounting pronouncements are included in Note 5 of the financial statements.

Non-GAAP Financial Performance Measures

Non-GAAP financial measures are intended to provide additional information only and do not have any standard meaning prescribed by generally accepted accounting principles. Unless otherwise noted, we present the Non-GAAP financial measures of our continuing operations in the tables below.

Cash Costs

The Company uses cash costs to evaluate the Company's current operating performance. We believe these measures assist in understanding the costs associated with producing gold and silver, assessing our operating performance and ability to generate free cash flow from operations and sustaining production. These measures may not be indicative of operating profit or cash flow from operations as determined under GAAP. The Company believes that allocating cash costs to gold and silver lead based on gold and silver metal sales relative to total metal sales best allows the Company and other stakeholders to evaluate the operating performance of the Company.

Year ended December 31, 2019	Cap-Oeste \$'000		Lomada de Leiva \$'000		Mina Martha \$'000	
Cost of sales	\$	11,006	\$	3,879	\$	1,545
Less: Inventory impairment		(2,368)		-		-
Less: Depreciation		(979)		(1,049)		(115)
Less: Other charges and timing differences ⁽¹⁾		(1,594)		(1,096)		(711)
Cash costs	\$	6,065	\$	1,734	\$	719
Add: Depreciation ⁽²⁾		826		568		92
Cash costs and depreciation	\$	6,891	\$	2,302	\$	811
Ounces produced	\$	10,585	\$	3,969	\$	1,008
Cash costs per ounce	\$	573	\$	437	\$	714
Cash costs and depreciation per ounce	\$	651	\$	580	\$	805

(1) These costs include expenses such as royalties, export and refinery costs, and other charges that the company does not include in cash costs. In addition, these amounts include timing differences related to accrual basis of accounting that the company excludes from the non-GAAP measure in order to measure the cash costs.

(2) Depreciation is related to the plant, machinery, equipment and vehicles.