

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: March 31, 2020

Commission File Number: 333-182072



**Patagonia Gold Corp.**

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other jurisdiction of incorporation or organization)

1041

(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

As of July 14, 2020, the registrant's outstanding common stock consisted of 317,943,990 common shares.

**Patagonia Gold Corp.**

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**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Balance Sheets (Unaudited)**  
(in thousands of U.S. dollars)

	Note	March 31, 2020 \$'000	December 31, 2019 \$'000
<b>Current Assets</b>			
Cash	22	\$ 699	\$ 685
Receivables	12, 22	1,913	1,516
Inventories	6	4,127	3,347
<b>Total Current Assets</b>		<b>6,739</b>	<b>5,548</b>
<b>Non-Current Assets</b>			
Mineral Properties	7, 24	8,610	8,610
Mining Rights	9	15,848	16,997
Property, plant and equipment	11	10,338	10,508
Goodwill	24	4,379	4,379
Other financial assets	10, 22	240	334
Deferred tax assets		3,062	4,599
Other receivable	13, 22	3,126	3,814
<b>Total Non-Current Assets</b>		<b>45,603</b>	<b>49,241</b>
<b>Total Assets</b>		<b>\$ 52,342</b>	<b>\$ 54,789</b>
<b>Current Liabilities</b>			
Bank indebtedness	14	\$ 11,578	\$ 14,989
Accounts payable and accrued liabilities	15, 20, 22	5,956	5,992
Accounts payable with related parties	15, 20, 22	6,842	6,717
Loan payable and current portion of long-term debt	16, 20, 22	311	334
Current portion of long-term debt with related parties	16, 20, 22	13,120	-
<b>Total Current Liabilities</b>		<b>37,807</b>	<b>28,032</b>
<b>Non-Current Liabilities</b>			
Long-term debt	17, 22	298	312
Long-term debt with related parties	17, 20, 22	1,470	11,708
Asset retirement obligation	8	2,879	2,812
Deferred tax liabilities		1,833	2,693
Other long-term payables		52	56
<b>Total Non-Current Liabilities</b>		<b>6,532</b>	<b>17,581</b>
<b>Total Liabilities</b>		<b>44,339</b>	<b>45,613</b>
<b>Commitments and Contingencies (note 25)</b>			
<b>Stockholders' Equity</b>			
Capital stock: Authorized - Unlimited No Par Value Issued and outstanding – 317,943,990 common shares (December 31, 2019 - 317,943,990 common shares)	19	2,588	2,588
Additional paid in capital		181,761	181,676
Accumulated Deficit		(173,959)	(174,270)
Accumulated other comprehensive income (loss)		(2,190)	(575)
<b>Total Stockholders' Equity attributable to the parent:</b>		<b>8,200</b>	<b>9,419</b>
Non-controlling interest		(197)	(243)
<b>Total Stockholders' Equity</b>		<b>8,003</b>	<b>9,176</b>
<b>Total Liabilities and Stockholders' Equity</b>		<b>\$ 52,342</b>	<b>\$ 54,789</b>
<b>Going Concern (note 3)</b>			
<b>Subsequent events (note 27)</b>			

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

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)**  
**For the Three Months Ended March 31, 2020 and 2019**  
(in thousands of U.S. dollars)

	Note	March 31, 2020 \$'000	March 31, 2019 \$'000
Revenue		\$ 5,215	\$ 4,871
Cost of Sales	6	(2,448)	(6,823)
Gross Profit (Loss)		\$ 2,767	\$ (1,952)
<b>Operating Income (Expenses):</b>			
Exploration expenses		(694)	(842)
Administrative expense	21	(1,115)	(2,312)
Share-based payments expense	19	(85)	(21)
Interest expense		(717)	(431)
Total operating expense:		\$ (2,611)	\$ (3,606)
<b>Other Income/(Expenses)</b>			
Interest income	10	55	28
Gain/(Loss) on foreign exchange		(5)	(40)
Accretion expense	8	(162)	(21)
Realized gain (loss) on investment		728	-
Total other income/(expenses)		616	(33)
Income (Loss) – before income taxes		\$ 772	\$ (5,591)
Income tax benefit (expense)		(415)	1,594
Net Income (Loss)		\$ 357	\$ (3,997)
Attributable to non-controlling interest		46	(325)
Attributable to equity share owners of the parent		311	(3,672)
		\$ 357	\$ (3,997)
<b>Other Comprehensive Income (Loss) net of tax</b>			
Change in fair value of investment	10	(94)	(1)
Foreign currency translation adjustment		(1,521)	337
Total Other comprehensive Income (Loss)		\$ (1,615)	\$ 336
Total Comprehensive Income (Loss)		\$ (1,258)	\$ (3,661)
Weighted average shares outstanding – basic and diluted	18	317,943,990	254,355,192
Net Income (Loss) per share – Basic and Diluted	18	\$ 0.00	\$ (0.02)

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

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statement of Shareholders' Equity (Unaudited)**  
**For the Three Months Ended March 31, 2020 and 2019**  
(in thousands of U.S. dollars)

	Capital Stock	Preferred Shares	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Additional Paid in Capital	Total Attributable to parent	Non- Controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at January 1, 2019</b>	<b>301</b>	<b>-</b>	<b>(164,717)</b>	<b>(519)</b>	<b>181,549</b>	<b>16,614</b>	<b>(121)</b>	<b>16,493</b>
Share Based Payments	-	-	-	-	21	21	-	21
Net Income (Loss)	-	-	(3,672)	-	-	(3,672)	(325)	(3,997)
Other Comprehensive Income (Loss)	-	-	-	336	-	336	-	336
<b>Balance – March 31, 2019</b>	<b>301</b>	<b>-</b>	<b>(168,389)</b>	<b>(183)</b>	<b>181,570</b>	<b>13,299</b>	<b>(446)</b>	<b>12,853</b>
<b>Balance at January 1, 2020</b>	<b>2,588</b>	<b>-</b>	<b>(174,270)</b>	<b>(575)</b>	<b>181,676</b>	<b>9,419</b>	<b>(243)</b>	<b>9,176</b>
Share based payments	-	-	-	-	85	85	-	85
Net Income (Loss)	-	-	311	-	-	311	46	357
Other Comprehensive Income (Loss)	-	-	-	(1,615)	-	(1,615)	-	(1,615)
<b>Balance – March 31, 2020</b>	<b>2,588</b>	<b>-</b>	<b>(173,959)</b>	<b>(2,190)</b>	<b>(181,761)</b>	<b>8,200</b>	<b>(197)</b>	<b>8,003</b>

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

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows (Unaudited)**  
**For the Three Months Ended March 31, 2020 and 2019**  
(in thousands of U.S. dollars)

	Note	March 31, 2020 \$'000	March 31, 2019 \$'000
<b>Cash Flow From Operating Activities</b>			
<b>Net Income/(Loss)</b>		\$ 357	\$ (3,997)
<b>Items not affecting cash</b>			
Depreciation of property, plant and equipment	21	427	563
Depreciation of mining rights	21	25	25
Share based payment expense	19	85	21
Asset retirement obligation	8	(95)	(27)
Write-down of inventory	6	-	2,368
Accretion expense	8	162	21
Deferred tax benefit/(expense)		415	(1,594)
		<u>1,376</u>	<u>(2,620)</u>
<b>Net change in non-cash working capital items</b>			
(Increase)/decrease in receivables		291	1,102
(Increase)/decrease in deferred tax assets		1,144	492
(Increase)/decrease in inventory		(780)	(279)
(Increase)/decrease in other financial assets		94	1
Increase/(decrease) in accounts payable and accrued liabilities		(9)	(887)
Increase/(decrease) in accounts payable and accrued liabilities with related parties		125	37
Increase/(decrease) in provision		(4)	(9)
Increase/(decrease) in transaction taxes payable		(28)	(108)
Increase/(decrease) in deferred tax liabilities		(881)	-
		<u>(48)</u>	<u>349</u>
<b>Net cash provided by/(used in) operating activities</b>		<u>1,328</u>	<u>(2,271)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	11	(271)	(136)
Purchase of mineral property	7	-	(182)
Proceeds from disposal of property, plant and equipment		14	5
<b>Net cash provided by/(used in) investing activities</b>		<u>(257)</u>	<u>(313)</u>
<b>Cash Flow from Financing Activities</b>			
Bank indebtedness (repayment)		(3,411)	2,168
Proceeds from loans with related parties		2,882	2,006
Repayment of loans		(37)	(1,895)
<b>Net cash provided by/(used in) financing activities</b>		<u>(566)</u>	<u>2,279</u>
<b>Net Increase/(Decrease) in Cash</b>		505	(305)
<b>Effect of Foreign Exchange on Cash</b>		(491)	57
<b>Cash, Beginning of Period</b>		685	660
<b>Cash, End of the Period</b>		<u>\$ 699</u>	<u>\$ 412</u>
<b>Supplemental Non-Cash Information</b>			
Taxes paid		(28)	(108)
Interest paid		(7)	(107)
Change in value of investments		(94)	(1)

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

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**Patagonia Gold Corp.****Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**(in thousands of U.S. dollars unless otherwise stated)

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**1. Nature of business**

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 reverse takeover, 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 (“the Company”) (Note 24).

Comparative information for the Company is that of PGP (accounting acquirer) prior to the reverse acquisition on July 24, 2019.

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 reserves in Santa Cruz, Rio Negro and Chubut provinces of Argentina.

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

<b>Corporation</b>	<b>Incorporation</b>	<b>Percentage ownership</b>	<b>Functional currency</b>	<b>Business purpose</b>
Patagonia Gold S.A. (PGSA)	Argentina	95.3	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
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 for and production of minerals from properties in Argentina and Chile. 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 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.

The Company has initiated a corporate reorganization (the “Reorganization”), which resulted in Patagonia Gold SA (“PGSA”) and Cerro Cazador SA (“CCSA”) (former wholly owned subsidiary) merging and continuing as one legal entity. The Reorganization will facilitate the development of the Cap-Oeste gold / silver underground project (“Cap-Oeste”), with Cap-Oeste and the Martha processing plant being held by the same legal entity, PGSA. It is also expected to facilitate the development of an exploration program for the La Josefina and La Valenciana gold / silver projects. The Reorganization is expected to be completed by the end of the second quarter 2020 and be effective as of January 1, 2020.

In connection with this Reorganization, the Company also renegotiated the agreement between PGSA and the Provincial State owned Mining Company, Fomento Minero de Santa Cruz Sociedad del Estado (“Fomicruz”), pursuant to which Fomicruz held a 10% interest in PGSA, and the farm-in agreement between CCSA and Fomicruz regarding the La Josefina and the La Valenciana properties.

Accordingly, Fomicruz agreed to reduce its interest in PGSA to 4.7% and to hold a 2% royalty on the properties it contributed to PGSA, with the exception of the La Josefina and La Valenciana properties, where Fomicruz will retain a 5% royalty.

## **2. Basis of presentation**

The condensed interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US 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 4.

## **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 three months ended March 31, 2020, the Company had net income of \$357. As at March 31, 2020, the Company has negative working capital of \$31,068 and had an accumulated deficit of \$173,959. The Company’s ability to continue as a going concern is dependent upon the ability to generate cashflows from operations and obtain financing. The Company intends to continue funding operations through operation of Cap-Oeste, Lomada, Martha, La Josefina project and equity financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements for the three months ending March 31, 2020. There can be no assurance that the steps management is taking will be successful.

These factors, among others, indicate the existence of a material uncertainty that cast substantial doubt about the Company’s ability to continue as a going concern. The accompanying condensed interim consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. These adjustments could be material.

## **4. Significant Accounting Policies and Critical Accounting Judgments and Estimates**

The accounting policies used in the preparation of these interim financial statements are consistent with those of the Company’s audited financial statements for the year ended December 31, 2019. Please see note 4 - Significant Accounting Policies and note 6 - Critical Accounting Judgement and Estimates contained in the 2019 10-K.

## **5. Recent Accounting Pronouncements**

### *Recently issued and adopted accounting pronouncements*

#### Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326)”. The new standard is effective for reporting periods beginning after December 15, 2019. The standard replaces the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires the use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. The standard requires a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We adopted the new credit loss standard effective January 1, 2020. The adoption of the new credit loss standard did not have a material effect on our financial position, results of operations or cash flows.



## Recently issued but not yet adopted accounting pronouncements

### Income Taxes

In December 2019, the FASB issued ASU 2019-12, “Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740)” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 will be effective for interim and annual periods beginning after December 15, 2020 (January 1, 2021 for the Company). Early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU 2019-12 will have on its consolidated financial statements.

### 6. Inventories

	March 31, 2020	December 31, 2019
	\$'000	\$'000
Gold held on carbon	\$ 1,595	\$ 1,422
Silver and gold concentrate	642	157
Materials and supplies	1,890	1,768
	<u>\$ 4,127</u>	<u>\$ 3,347</u>

In 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 cost of sales for the three months ended March 31, 2019.

### 7. Mineral properties

	Mining assets	Surface rights	Total
	\$'000	acquired \$'000	\$'000
<b>Cost</b>			
Balance at January 1, 2019	\$ 1,780	\$ 745	\$ 2,525
Reverse acquisition (Note 24)	6,830	1,035	7,865
Additions	216	-	216
Impairment	(1,996)	-	(1,996)
Balance December 31, 2019	\$ 6,830	\$ 1,780	\$ 8,610
Additions	-	-	-
Impairment	-	-	-
Balance March 31, 2020	\$ 6,830	\$ 1,780	\$ 8,610

### Trilogy Mining Corporation

In January 2016, Patagonia Gold PLC (PGP) entered into an earn-in agreement with Trilogy Mining Corporation (“Trilogy”) in relation to the San José Project in Uruguay. This was recognized within mining assets at a cost of \$1,996. In December 2019, the Company announced the termination of its option agreement with Trilogy and in exchange received common shares of Trilogy, that will result in PGP owning 42.5% of the then issued and outstanding shares of Trilogy. In connection with the termination of the option agreement, the Company impaired \$1,996 of the mining asset related to San José Project in Uruguay during the year ended December 31, 2019.

### Surface rights

The Company owns the surface rights of land encompassing the Estancia La Bajada, Estancia El Tranquilo, Estancia El Rincon, Estancia La Josefina and the Estancia 1° de Abril.

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 \$0.2 million 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. As 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.

As at March 31, 2020, this project has a carrying amount of \$Nil (December 31, 2019 - \$Nil) on the condensed interim consolidated balance sheet.

## 8. Asset retirement obligation

The Company is legally required to perform reclamation on sites where environmental disturbance is caused by the development or ongoing 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 \$5,533 (December 31, 2019 - \$5,533) which has been discounted using a credit-adjusted rate of 24.94% (December 31, 2019 – 24.94%) and an inflation rate of 1.54% (December 31, 2019 – 2.29%).

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

	<b>Three months ended March 31, 2020</b>	<b>Year ended December 31, 2019</b>
	\$'000	\$'000
Asset retirement obligation at beginning of period	\$ 2,812	\$ 552
Reverse acquisition (note 24)	-	739
Change in estimate	(95)	1,342
Accretion expense	162	179
Asset retirement obligation at end of period	\$ 2,879	\$ 2,812

## 9. Mining Rights

	<b>Fomicruz Agreement</b>		<b>Minera Aquiline Argentina</b>		<b>Total</b>
	\$'000		\$'000		\$'000
Balance at January 1, 2019	\$	3,288	\$	13,187	\$ 16,475
Amortization		(100)		-	(100)
Exchange differences		-		622	622
Balance December 31, 2019	\$	3,188	\$	13,809	\$ 16,997
Amortization		(25)		-	(25)
Exchange differences		-		(1,124)	(1,124)
Balance March 31, 2020	\$	3,163	\$	12,685	\$ 15,848

### 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 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 Santa Cruz. 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. The Company will manage the exploration and potential future development of the PGSA properties.

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 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 these 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 million.

Effective January 1, 2020, the Company's former subsidiary Cerro Cazador S.A merged with PGSA and as a result, Fomicruz has a 4.7% interest in the newly merged entity.

### Minera Aquiline Argentina Agreement

On January 31, 2018, Patagonia, 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. 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.

This transaction was accounted for as an asset acquisition and the purchase consideration was allocated to Mining Rights at \$14.6 million and other net assets at \$0.4 million. These mining rights will be amortized on a unit-of-production method over the estimated period of economically recoverable resources once the project reaches the commercial production phase.

## 10. Other Financial Assets

The Company has short-term investments in equity securities which are recorded at fair value through other comprehensive income/(loss). As of the three months ended March 31, 2020, the value of the short-term investments in equity decreased to \$6 (December 31, 2019 - \$8). The change in the fair value of \$2 (December 31, 2019 - \$3) for the three months ended March 31, 2020 is recorded as other comprehensive loss in the Company's condensed interim consolidated statement of operations and comprehensive income/(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 and a maturity date of 2035. The bond trades in the secondary market in Argentina. The bond was originally purchased for \$247. As of the three months ended March 31, 2020, the value of the bond increased to \$234 (December 31, 2019 - \$326). The change in the face value of the performance bond of \$92 (December 31, 2019 - \$25) for the three months ended March 31, 2020 ended is recorded as other comprehensive income/(loss) in the Company's condensed interim consolidated statement of operations and comprehensive income/(loss).

Since Cerro Cazador S.A. ("CCSA") fulfilled its exploration expenditure requirement mandated by the agreement with 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. As of March 31, 2020, there are no restrictions on the performance bond.

## 11. Property, Plant and Equipment

	Plant \$'000	Buildings \$'000	Vehicles and Equipment \$'000	Improvements and advances \$'000	Total \$'000
<b>Cost</b>					
Balance at December 31, 2018	\$ 5,901	\$ 230	\$ 13,458	\$ 566	\$ 20,155
Reverse acquisition (Note 24)	1,732	69	409	-	2,210
Additions	203	-	244	330	777
Disposals	-	-	(326)	(51)	(377)
Transfers	-	-	106	(106)	-
Balance at December 31, 2019	\$ 7,836	\$ 299	\$ 13,891	\$ 739	\$ 22,765
Additions	24	-	59	188	271
Disposals	-	-	(177)	-	(177)
Balance at March 31, 2020	\$ 7,860	\$ 299	\$ 13,773	\$ 927	\$ 22,859
<b>Accumulated depreciation</b>					
Balance at December 31, 2018	\$ 5,761	\$ 33	\$ 4,883	\$ -	\$ 10,677
Disposals	-	-	(264)	-	(264)
Depreciation for the year	144	9	1,691	-	1,844
Balance at December 31, 2019	\$ 5,905	\$ 42	\$ 6,310	\$ -	\$ 12,257
Disposals	-	-	(163)	-	(163)
Depreciation for the period	54	3	370	-	427
Balance at March 31, 2020	\$ 5,959	\$ 45	\$ 6,517	\$ -	\$ 12,521
<b>Net book value</b>					
At December 31, 2019	\$ 1,931	\$ 257	\$ 7,581	\$ 739	\$ 10,508
At March 31, 2020	\$ 1,901	\$ 254	\$ 7,256	\$ 927	\$ 10,338

## 12. Receivables

	March 31, 2020 \$'000	December 31, 2019 \$'000
Receivable from sale	\$ 152	\$ 150
Value added tax ("VAT") recoverable	1,382	880
Other receivables	379	486
<b>Total receivables</b>	<b>\$ 1,913</b>	<b>\$ 1,516</b>

### 13. Other Receivables

	March 31, 2020 \$'000	December 31, 2019 \$'000
Value added tax ("VAT") recoverable	\$ 665	\$ 1,226
Other receivables	2,461	2,588
<b>Total Other Receivables</b>	<b>\$ 3,126</b>	<b>\$ 3,814</b>

### 14. Bank indebtedness

As at March 31, 2020, the Company has bank indebtedness of \$11,578 (December 31, 2019 – \$14,989) in the form of operating lines of credit which have an interest rate of 1.5% plus refinancing rate and mature on the June 30, 2020. As at March 31, 2020, the interest rate on the lines of credit is 2.75%. The lines of credit have no specific terms of repayment and the Company renews them every year.

Subsequent to March 31, 2020, the Company renewed the operating lines of credit at an interest rate of 1.8% and mature on January 31, 2021.

### 15. Accounts payable and accrued liabilities

	March 31, 2020 \$'000	December 31, 2019 \$'000
Trade accounts payable and accrued liabilities	\$ 4,763	\$ 5,102
Other accruals	1,193	890
Accounts payable to related parties (note 20)	6,842	6,717
<b>Total</b>	<b>\$ 12,798</b>	<b>\$ 12,709</b>

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

	March 31, 2020 \$'000	December 31, 2019 \$'000
Current portion of long-term debt (note 17)	\$ 202	\$ 200
Current portion of long-term debt with related parties (note 17)	13,120	-
Leases payable	109	134
<b>Total</b>	<b>\$ 13,431</b>	<b>\$ 334</b>

## 17. Long-term debt

	<b>March 31, 2020 \$'000</b>	<b>December 31, 2019 \$'000</b>
Loan to related party secured by a letter of guarantee from the Company, at 5% interest per annum, due 2021 (note 20)	\$ 10,458	\$ 7,908
Loan to related party secured by assets of the Company payable 5.75% interest per annum, due 2022	501	512
Acquired in reverse acquisition. Unsecured loan payable to related party at 8% interest per annum, due 2022 (note 20 and 24)	1,034	990
Acquired in reverse acquisition. Unsecured loan payable to related party at 8% interest per annum, due 2021 (note 20 and 24)	861	826
Acquired in reverse acquisition. Unsecured loan payable to related party at 7% interest per annum, due 2021 (note 20 and 24)	1,084	1,038
Accrued interest on debt	1,152	946
	\$ 15,090	\$ 12,220
Less current portion	(13,322)	(200)
	\$ 1,768	\$ 12,020

Principal payments on long-term debts are due as followed:

<b>Year ending December 31,</b>	
<b>2020</b>	195
<b>2021</b>	13,327
<b>2022</b>	1,568

## 18. Net income (loss) per share

Basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

For the three months ended March 31, 2020, there were 7,650,000 stock options that were not included in the diluted weighted average number of common shares outstanding as the average market price of the Company's common shares during the three month period ended March 31, 2020 was below the exercise price of the stock options.

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Net income (loss) (\$'000)	\$ 357	\$ (3,997)
Weighted average number of common shares outstanding – basic and diluted	317,943,990	254,355,192
Net income (loss) per share	\$ 0.00	\$ (0.02)

## 19. Capital stock

### Authorized:

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

### Issued:

#### Common Shares

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number	Amount \$'000	Number	Amount \$'000
<b>Balance, beginning of year</b>	317,943,990	\$ 2,588	254,355,192	\$ 301
Share issued in reverse acquisition (note 24)	-	-	63,588,798	2,287
<b>Balance, at end of period</b>	317,943,990	\$ 2,588	317,943,990	\$ 2,588

Preferred shares are non-redeemable and non-transferrable with discretionary dividends and hence are classified as equity. Preferred shares shall be issued at a price of \$0.30 per share and will not have voting rights. As at March 31, 2020, there were no preferred shares issued by the Company (December 31, 2019 - nil).

#### Shares issued in reverse acquisition

On July 24, 2019, Hunt concluded an agreement with PGP 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 PGP in exchange for the common shares of Hunt Mining 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% in Hunt in exchange for all of the issued and outstanding shares of PGP (Note 24).

#### Normal Course Issuer Bid

On February 19, 2020, the Company announces that it has received approval from the TSX Venture Exchange ("TSXV") of its Notice of Intention to Make a Normal Course Issuer Bid (the "NCIB"). Under the NCIB, the Company may purchase for cancellation up to 15,897,199 common shares (the "Shares") (representing approximately 5% of its 317,943,990 issued and outstanding common shares as of February 17, 2020) over a twelve month period commencing on February 21, 2020. The NCIB will expire no later than February 20, 2021. During the three months ended March 31, 2020, the Company did not repurchase any common shares under the NCIB.

#### 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 income/(loss) with a corresponding credit to "Additional Paid in Capital". 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.

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number of options	Weighted Average Price (CAD)	Number of options	Weighted Average Price (CAD)
Balance, beginning of period	7,650,000	\$ 0.065	1,706,830	\$ 13.896
Granted	-	\$ -	7,650,000	\$ 0.065
Expiration of stock options	-	\$ -	(1,706,830)	\$ (13.896)
Balance, end of period	7,650,000	\$ 0.065	7,650,000	\$ 0.065

	Range of Exercise prices (CAD)	Number outstanding	Weighted average life (years)	Weighted average exercise price (CAD)	Number exercisable on March 31, 2020
<b>Stock options</b>	\$ 0.065	7,650,000	4.74	\$ 0.065	7,650,000

On May 29, 2019, all outstanding stock option holders consented to the cancellation of their 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 an expiry date of September 25, 2024. The stock options vest one year after the date of grant. The fair value of the options on grant date was estimated to be \$456 and the Company recognized an expense of \$85 during the three months ended March 31, 2020. The fair value of the options was calculated using the Black-Scholes option pricing model and using the following assumptions:

Discount rate	1.46%
Expected volatility	253.14%
Expected life (years)	5
Expected dividend yield	0%
Forfeiture rate	0%
Stock price	CAD\$ 0.06

## Warrants

There are no warrants outstanding as at March 31, 2020 and December 31, 2019 as they expired without being exercised during the previous year at the end of their four-year term.

## 20. Related party transactions

Key management personnel include the members of the Board of Directors and executive officers of the Company. Related party transactions and balances not disclosed elsewhere in the condensed interim consolidated financial statements are as follows:

Name and Principal Position		Remuneration, fees or interest expense	Loans or Advances	Remuneration, fees, or interest payments	Loan payments	Included in	Included in
						Accounts Payable	Loan Payable and Long-term debt
Three months ended March 31						As at March 31, 2020 and December 31, 2019	
						\$'000	\$'000
A company controlled by a director <sup>1</sup>	2020	95	-	-	-	6,469	-
- admin, office, and interest expenses	2019	-	-	-	-	6,374	-
A company controlled by a director	2020	145	2,550	-	-	255	10,830
- salaries and wages	2019	346	7,908	33	-	227	8,163
Directors	2020	65	-	63	-	118	-
- salaries and wages	2019	337	-	317	-	116	-
Director <sup>1</sup>	2020	-	347	-	-	-	3,760
-loans	2019	-	347	-	-	-	3,545

<sup>1</sup> Balances owed to related parties were acquired as part of the reverse acquisition (Note 24)

As at March 31, 2020, the Company has \$6,842 (December 31, 2019 - \$6,717) in accounts payable owing to related parties which relate primarily to funds advanced from companies controlled by directors in order to cover exploration costs.



## 21. Administrative expenses

	Three months ended	
	March 31, 2020	March 31, 2019
	\$'000	\$'000
General and administrative	\$ 739	\$ 1,869
Argentina statutory taxes	100	102
Professional fees	68	199
Operating leases	21	24
Directors' remuneration	59	71
Gain on sale of property, plant and equipment	(5)	(14)
Depreciation of property, plant and equipment	427	563
Depreciation allocated to inventory	(392)	(541)
Amortization of mining rights	25	25
Consulting fees	98	11
Transaction taxes expenses (income)	(25)	3
<b>Total</b>	<b>\$ 1,115</b>	<b>\$ 2,312</b>

## 22. Financial Instruments

The Company's financial instruments consist of cash, receivables, performance bond, accounts payable and accrued liabilities, 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 March 31, 2020, there were no changes in the levels in comparison to December 31, 2019. The fair values of financial instruments are summarized as follows:

	March 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Amortized cost</i>				
Cash (Level 1)	699	699	685	685
<i>Available for sale</i>				
Other financial assets (Level 1)	240	240	334	334
<i>Loans and receivables</i>				
Receivables and other receivable <sup>1</sup>	2,992	2,992	3,224	3,224
<b>Financial Liabilities</b>				
<i>Amortized cost</i>				
Bank indebtedness	11,578	11,578	14,989	14,989
Accounts payable and accrued liabilities	12,798	12,798	12,709	12,709
Loan payable and current portion of long-term debt	13,729	13,431	334	334
Long-term debt	2,051	1,768	13,026	13,026

<sup>1</sup> Amounts exclude value added tax (“VAT”) recoverable of \$2,047 and \$2,106 as at March 31, 2020 and December 31, 2019. Cash and other financial assets are measured based on Level 1 inputs of the fair value hierarchy on a recurring basis.

The carrying value of receivables, other 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. Receivables 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.

### Concentration risk

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 March 31, 2020, the Company had two customers whose trade receivables of \$150 (December 31, 2019 – \$150) 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 three months ended March 31, 2020, the Company made sales of \$5,215 (2019 - \$4,871) to two customers which accounted for greater than 10% of total revenue.

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. As at March 31, 2020, the Company had total cash balances of \$699 (December 31, 2019 - \$685) at financial institutions, where \$Nil (December 31, 2019 - \$Nil) is in excess of federally insured limits.

### **23. Segment reporting**

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 follows:

For the three months ended March 31, 2020

	Lomada Project \$'000	Cap- Oeste Project \$'000	Calcatreu Project \$'000	Martha and La Josefina Projects \$'000	Argentina Uruguay and Chile \$'000	UK \$'000	North America \$'000	Total \$'000
Revenue	\$ 1,337	\$ 3,447	\$ -	\$ 431	\$ -	\$ -	\$ -	\$ 5,215
Cost of sales	(500)	(1,599)	-	(349)	-	-	-	(2,448)
Gross profit (loss)	\$ 837	\$ 1,848	\$ -	\$ 82	\$ -	\$ -	\$ -	\$ 2,767
Operating expense								
Exploration expense	\$ -	\$ (141)	\$ (247)	\$ (40)	\$ (266)	\$ -	\$ -	\$ (694)
Administrative expense	-	-	(51)	-	(672)	(154)	(178)	(1,055)
Depreciation expense	-	-	(4)	-	(31)	(25)	-	(60)
Impairment of mineral properties	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	(85)	(85)
Interest expense	-	-	-	-	(188)	(199)	(330)	(717)
Total operating expense	\$ -	\$ (141)	\$ (302)	\$ (40)	\$ (1,157)	\$ (378)	\$ (593)	\$ (2,611)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ 1	\$ -	\$ 54	\$ -	\$ -	\$ 55
Gain/(loss) on foreign exchange	-	-	237	-	(411)	(660)	829	(5)
Accretion expense	(104)	(8)	-	(50)	-	-	-	(162)
Realized gain (loss) on investment	-	-	-	-	728	-	-	728
Total other income/(expense)	\$ (104)	\$ (8)	\$ 238	\$ (50)	\$ 371	\$ (660)	\$ 829	\$ 616
Income/(loss) – before income tax	\$ 733	\$ 1,699	\$ (64)	\$ (8)	\$ (786)	\$ (1,038)	\$ 236	\$ 772
Income tax/(benefit)	-	-	(17)	-	(398)	-	-	(415)
Net income/(loss)	\$ 733	\$ 1,699	\$ (81)	\$ (8)	\$ (1,184)	\$ (1,038)	\$ 236	\$ 357

For the three months ended March 31, 2019

	Lomada Project \$'000	Cap- Oeste Project \$'000	Calcatreu Project \$'000	Martha and La Josefina Projects \$'000	Argentina Uruguay and Chile \$'000	UK \$'000	North America \$'000	Total \$'000
Revenue	\$ 1,265	\$ 3,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,871
Cost of sales	(1,616)	(5,207)	-	-	-	-	-	(6,823)
Gross profit (loss)	\$ (351)	\$ (1,601)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,952)
Operating expense								
Exploration expense	\$ -	\$ -	\$ (604)	\$ -	\$ (238)	\$ -	\$ -	\$ (842)
Administrative expense	-	-	(31)	-	(2,007)	(209)	(18)	(2,265)
Depreciation expense	-	-	(5)	-	(17)	(25)	-	(47)
Share-based payments	-	-	-	-	-	(21)	-	(21)
Interest expense	-	-	-	-	(283)	(148)	-	(431)
Total operating expense	\$ -	\$ -	\$ (640)	\$ -	\$ (2,545)	\$ (403)	\$ (18)	\$ (3,606)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 28	\$ -	\$ -	\$ 28
Gain/(loss) on foreign exchange	-	-	26	-	(35)	(350)	319	(40)
Accretion expense	(12)	(9)	-	-	-	-	-	(21)
Total other income/(expense)	\$ (12)	\$ (9)	\$ 26	\$ -	\$ (7)	\$ (350)	\$ 319	\$ (33)
Income/(loss) – before income tax	\$ (363)	\$ (1,610)	\$ (614)	\$ -	\$ (2,552)	\$ (753)	\$ 301	\$ (5,591)
Income tax/(benefit)	-	-	-	-	1,594	-	-	1,594
Net income/(loss)	\$ (363)	\$ (1,610)	\$ (614)	\$ -	\$ (958)	\$ (753)	\$ 301	\$ (3,997)

	Total Assets		Total liabilities	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
	\$'000	\$'000	\$'000	\$'000
Argentina – Cap-Oeste	\$ 10,814	\$ 9,116	\$ 2,735	\$ 2,629
Argentina – Lomada	1,894	2,996	2,102	1,979
Argentina – Calcatreu	16,473	14,678	1,519	1,591
Argentina – Martha & La Josefina	10,697	12,106	2,145	5,475
Argentina and Chile	7,632	11,263	3,628	3,875
United Kingdom	21	177	17,439	20,240
North America	4,811	4,453	14,771	9,824
<b>Total</b>	<b>\$ 52,342</b>	<b>\$ 54,789</b>	<b>\$ 44,339</b>	<b>\$ 45,613</b>

## 24. Reverse Acquisition

On July 24, 2019, Hunt completed a reverse acquisition with PGP on the terms that Hunt would acquire 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 purpose of the reverse acquisition was to form an enlarged, junior precious metals explorer and producer focused on the Santa Cruz region of Argentina. In particular, Patagonia Gold's Cap-Oeste underground resource will gain access to Hunt's Mina Martha processing plant, which is able to treat such mineralization which is expected to lead to more stable cash flow generation from any planned future development of the Cap-Oeste underground mine, which could be utilized to reduce the combined group's debt obligations and invest in its exploration and development stage projects, thereby ultimately lowering the risk profile of the combined group.

As a result of the reverse acquisition, former shareholders of PGP acquired control of Hunt, and the substance of the transaction was a reverse acquisition, where the transaction 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 Hunt are recorded at the fair value as at the date of the transaction. Transaction costs in the amount of \$1,511 were incurred in connection with the reverse acquisition and were expensed as incurred.

The fair value of the equity consideration paid as part of the transaction as well as the fair value of identifiable assets and liabilities acquired are presented below. Per ASC 805 because it may take time for the Company to obtain the necessary information to recognize and measure all the items exchanged in a business combination, the acquirer is allowed a measurement period of up to one year from the acquisition date to complete the purchase price allocation. The Company is currently in the process of gathering the facts and circumstances to complete the assessment of the fair value of Hunt's property, plant and equipment and mineral properties, which will be finalized by the end of measurement period.

The following table summarizes the preliminary purchase price allocation.

	<b>Amount</b>
	<b>\$'000</b>
<b>Fair value of the Company's shares (1)</b>	<b>\$ 2,287</b>
<b>Less net identifiable assets (liabilities) of the Company</b>	
Cash	60
Accounts receivable	1,183
Prepaid expenses	14
Inventory	906
Mineral properties	7,865
Property, plant and equipment	2,210
Goodwill	4,379
Performance bond	351
Accounts payable and accrued liabilities	(8,725)
Bank indebtedness	(400)
Loan payable and current portion of long-term debt	(581)
Long-term debt	(2,062)
Accrued interest on debt	(550)
Asset retirement obligation	(739)
Deferred tax liabilities	(1,624)
	<b>\$ 2,287</b>

- (1) The fair value of 5,908,687 common shares issued to pre-reverse acquisition Hunt shareholders is \$2,287 based on the fair value of \$0.387 per common share (converted from GBP 0.310 closing stock price of Patagonia Gold PLC prior to the transaction on July 24, 2019).

## 25. Commitments and Contingencies

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. 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 this lease from November 1<sup>st</sup>, 2019 to December 31, 2020.

Republic Metals Corporation ("Republic") filed for protection under Chapter 11 of the United States Bankruptcy Code on November 2, 2018 (the "Petition Date") in the United States Bankruptcy Court for the Southern District of New York. Republic processed material from the Company's Lomada and Cap-Oeste projects in the Santa Cruz province of Argentina prior to the Petition Date. The Chapter 11 plan of liquidation in the bankruptcy proceedings appointed a Litigation Trustee (the "Trustee") to handle the Bankruptcy Estate of Republic. The Company received a demand letter (the "Demand Letter") from the Trustee dated March 17, 2020, demanding repayment of amounts previously paid by Republic to the Company within 90 days before the Petition Date. The Company reviewed the Demand Letter with its independent US counsel and counsel has responded to the Demand Letter. As of the date hereof, no litigation has been brought by Republic against the Company. The Company believes the claims in the Demand Letter are without merit and intends to vigorously defend against any action by Republic, if and when commenced. However, any adverse decision in resolving this matter could have an adverse effect on the Company. The amount of any loss cannot be reasonably estimated.

## **26. COVID-19**

The recent 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.

Additionally, while the potential economic impact brought by, and the duration of the COVID-19 pandemic is difficult to assess or predict, the impact of the COVID-19 pandemic on the global financial markets may reduce our ability to access capital, which could negatively impact our short-term and long-term liquidity. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, financing or mining production activities or the ore and mining industry or the global economy as a whole. However, these effects could have a material impact on our liquidity, capital resources, operations and business and those of the third parties on which we rely. The management and board of the Company is constantly monitoring this situation to minimize potential losses.

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.

## **27. Subsequent Events**

### *Lines of credit renewal*

Subsequent to March 31, 2020, the Company renewed the operating lines of credit at an interest rate of 1.8% and mature on January 31, 2021 (Note 14).



## **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 the "Company") and its subsidiaries provides an analysis of the operating and financial results for the three months ended March 31, 2020 and a comparison of the material changes in our results of operations and financial condition between the year ended December 31, 2019 and the three months ended March 31, 2020. 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, 2019.

This discussion and analysis contains 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, 2019, 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.

Additional information relevant to the Company's activities can be found on their website at <http://patagoniagold.com>, on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://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-K 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 report (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 report 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.

## The Company

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 reverse takeover, 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 24).

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 Company’s activities include the exploration for and production of minerals from properties in Argentina (Note 7). 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 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.

## Results of Operations

### For the three months ended March 31, 2020 and 2019

	March 31, 2020	March 31, 2019	Change
	\$'000	\$'000	Favorable (Unfavorable) \$'000
Revenue	\$ 5,215	\$ 4,871	\$ 344
Net income (loss) for the period	\$ 357	\$ (3,997)	\$ 4,354
Net income (loss) per share – basic and diluted	\$ 0.00	\$ (0.02)	\$ 0.02

For the three months ended March 31, 2020, the Company earned total revenue of \$5,215 compared to \$4,871 during the same period in 2019. 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 1,492 oz AuEq (1,049 oz Au and 41,377 oz Ag) (2019 – 2,955 oz AuEq). The cash costs for the three months ended March 31, 2020 were \$743/oz<sup>1</sup> and \$820/oz<sup>1</sup> including depreciation and amortization. Lomada has produced a total of 888 ounces of gold (2019 – 825 oz Au). The cash costs were \$548/oz<sup>1</sup> and \$656/oz<sup>1</sup> including depreciation and amortization. Mina Martha has produced a total of 356 oz AuEq (49 oz Au and 29,838 oz Ag). The cash costs were \$1,421/oz<sup>1</sup> and \$1,601/oz<sup>1</sup> including depreciation and amortization.

<sup>1</sup> See Non-GAAP Financial Performance Measures

Cost of sales for the three months ended March 31, 2020 were \$2,448 compared to \$6,823 for three months ended March 31, 2019. The decrease in cost of sales is due to the write down of inventories (\$2.4 million) and other reduction in costs recognized owing to the close of Lomada and put Cap-Oeste on care and maintenance in 2019.

The Company recorded net income of \$357 during the three months ended March 31, 2020 compared to a net loss of \$3,997 during the same period in 2019. The increase in net income is due to the reduction of cost and the write down of inventories (\$2.4 million) recognized owing to the close of Lomada and put Cap-Oeste on care and maintenance.

### **Cash flow discussion for the three month period ended March 31, 2020 and 2019**

Cash generated from operating activities for the three months ended March 31, 2020 was \$1,328, an increase of \$3,599 compared with cash used of \$2,271 during the same period in 2019. This is mainly due to net income for the three months ended March 31, 2020 in the amount of \$357 compared to net loss of \$3,997 during the same period in 2019.

Cash used in investing activities for the three months ended March 31, 2020 was \$257 compared to \$313 during the same period in 2019.

Cash used in financing activities for the three months ended March 31, 2020 was \$566 compared to cash generated of \$2,279 during the same period in 2019. The variance of \$2,845 is primarily due to the Company's repayment of bank indebtedness of \$3,411 during the three months ended March 31, 2020 offset by increase in loans with related parties.

### ***Financial Position***

#### *Cash*

The Company has cash on hand of \$699 as of March 31, 2020 which is consistent with \$685 of cash on hand as at December 31, 2019.

#### *Receivables*

The Company's current accounts receivable increased to \$1,913 as at March 31, 2020 compared to \$1,516 as at December 31, 2019. The increase of \$397 or 26% is attributed to the increase of Value added tax ("VAT") recoverable.

#### *Inventory*

The Company's inventory increased to \$4,127 as at March 31, 2020 compared to \$3,347 as at December 31, 2019. The increase of \$780 or 23% is attributed to timing as part of the inventory was sold at the beginning of April 2020.

#### *Property, plant and equipment*

Property, plant and equipment decreased from \$10,508 as at December 31, 2019 to \$10,338 as at March 31, 2020.

#### *Mineral Properties*

Mineral properties stayed consistent from December 31, 2019 to March 31, 2020 at \$8,610.

#### *Bank indebtedness*

The Company's bank indebtedness decreased to \$11,578 as at March 31, 2020 compared to \$14,989 as at December 31, 2019. This decrease was a result of paying down the balance owing for the lines of credit.

#### *Accounts payable and accrued liabilities*

The Company's accounts payable and accrued liabilities decreased slightly to \$5,956 as at March 31, 2020 compared to December 31, 2019 balance of \$5,992.

#### *Accounts payable and accrued liabilities with related parties*

The Company's accounts payable and accrued liabilities with related parties increased slightly to \$6,842 as at March 31, 2020 compared to December 31, 2019 balance of \$6,717.

### *Long term debt with related parties*

The Company's current portion of long-term debt with related parties is \$13,120 as of March 31, 2020 and the non-current portion is \$1,470. Comparatively as of December 31, 2019, current portion of long-term debt with related parties was \$Nil and the non-current portion was 11,708.

The increase in the current portion of long-term debt with related parties is due to a timing difference on the maturities of the loans and the increase in loan payable balances as a result of interest accretion. Also, the increase is attributable to the funds drawn under the existing loan facility with Cantomi.

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 March 31, 2020, the balance of this loan was \$10,458 (December 31, 2019 - \$7,908) which is included in the current portion of the debt with related parties.

### **Mineral Properties**

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'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 11.2 km of Pole-Dipole, Induced Polarization and Resistivity ("IP/Res"), was commissioned by the Company and covered in the Trinidad area. In addition, a total of 41.4 km of ground magnetics surveying was completed at Viuda de Castro. The objective of the two surveys 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. These two mineralized veins host the majority of the indicated and inferred mineral resources at Calcatreu. The surveys resulted in new target definition and ranking. To help with target evaluation, 1,266.7 meters in 33 trenches were dug, and 465 samples were taken in the trenches and 6 rotary air blast ("RAB") drill holes were drilled in the Piche target and 96 samples were collected from a total of 116 meters drilled. Subsequently, a drill program 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 available 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](http://www.sedar.com)). The updated mineral resource estimate, completed by CUBE, is tabulated below<sup>notes 1 and 2</sup> :

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

<sup>1</sup>AuEq calculations used an 81.25:1 Ag:Au ratio

<sup>2</sup> NI 43-101 compliant technical report, effective December 31, 2018 and dated May 30, 2019 prepared by Cube Consulting Pty Ltd and on file on [www.sedar.com](http://www.sedar.com)

In 2019, an exploration program was conducted consisting of surface work, a total of 41.28 linear kilometers of Pole-Dipole IP-Res conducted over the main Nelson targets and Castro Norte, Fiero, Sabrina and Viuda de Castro areas, and 121.5 linear kilometers of Gradient Array IP/Res over Nelson, Sabrina and Mariano. Subsequently, 1,687.2 km of ground magnetics surveying, covering 55.44 sq km, were undertaken in the project covering several targets including the main V49 and Nelson. The objective was to identify hidden, non-outcropping mineralization in dilatational jogs, blind structures and others.

Geologic mapping and sampling was completed over several targets of interest, notably Viuda de Castro, Trinidad, La Cruz, suboutcrops of the Nelson extension, Piche, La Olvidada and Epu-Peni. The sampling yielded 254 rock chips and 81 new, sawn channels. Overall, approximately 50% of the core of the project was relogged, though up to 80% in some areas such as Veta 49 and Belen.

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

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

## 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 the first three months of the year and yielded a total of 1,492 gold equivalent ounces (“AuEq ozs”) comprised of 1,049 ounces of gold and 41,377 ounces of silver. The cash costs for the three months were \$743/oz<sup>2</sup> and \$820/oz<sup>2</sup> including depreciation and amortization. A total of 2,141 AuEq ounces (1,559 Au and 51,542 Ag) were sold at an average gross price of \$1,610 per ounce<sup>2</sup> AuEq during the three months ended March 31, 2020.

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 the December 2019 CUBE NI 43-101 technical report and on file on [www.sedar.com](http://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 favorable precious metals recoveries.

The Company has an asset retirement obligation for reclamation costs for Cap-Oeste Project of \$0.1 million as of March 31, 2020.

## 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. During the three months ended March 31, 2020, 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 the first three months of the year Lomada produced 888 ounces of gold. The cash costs for the three months were \$548/oz<sup>2</sup> and \$656/oz<sup>2</sup> including depreciation and amortization. A total of 857 ounces of Au were sold at an average gross price of \$1,560 per ounce<sup>2</sup> Au during the three months ended March 31, 2020.

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 in November 2019 and started with the works of remediation at the end of 2019. Currently, the work on the remediation has been halted due to the COVID-19 pandemic.

The Company has an asset retirement obligation for reclamation costs for the Lomada de Leiva Project of \$1.8 million as of March 31, 2020.

## Mineral Resources

Cap-Oeste (Santa Cruz, AR) – Cube Consulting Dec 2018; <sup>Notes 1 and 2</sup>							
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

<sup>2</sup> See Non-GAAP Financial Performance Measures

Calcatreu (Rio Negro, AR) – Cube Consulting Dec 2018; Notes 3 and 4							
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; Notes 5 and 6							
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; Notes 7 and 8							
Classification	Tonnes (K)	Average Grades (g/t)			Contained Ounces (K)		
		Gold	Silver	Gold Equivalent	Gold	Silver	Gold Equivalent
Measured							
Indicated	4,998.7	0.72	16.6	0.97	115.5	2,668.4	155.6
Meas+Ind	1,525.9	0.83	1.8	0.85	40.5	88.7	41.8
Inferred	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  $AuEq = (Au + Ag)/(Au\ price*0.32151)$
7. La Josefina 0.2 g/t AuEq cutoff
8. La Josefina  $AuEq = Au + (Ag*66.67)$

## Exploration Update

Exploration during 2020 year-to-date 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 (“IP/Res”). During 2020, 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 recent exploration work at Calcatreu is described more fully in the previous section of this MD&A.

## **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. Exploration work continued with mapping and rock chip sampling over an area of approximately 2,000 hectares ("ha"). 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 of these favorable results, 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](http://www.sedar.com).

## **Sarita Project**

The Sarita Project, located in the SW part 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 3 meters 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 83.4 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, 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. ("Hunt") in 2019. The land package at Martha consists of approximately 7,850 ha of concessions, various buildings and facilities, surface and underground mining and support equipment, a 480 tonne per day (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 ha in size.

The property was purchased in 2016 by Cerro Cazador SA (CCSA), an Argentine subsidiary of Hunt, 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](http://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](http://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 g/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 1 m 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. During 2020, a total of 103.2 kilometers of new ground magnetics surveying was completed at Martha.

The Company has an asset retirement obligation for reclamation costs for the Mina Martha Project of \$0.9 million as of March 31, 2020.

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.

### **La Josefina Project**

La Josefina 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.

In March 2007, the Company (via a subsidiary of Hunt) 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 had 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 UAKO Geological Consulting, is on file on [www.sedar.com](http://www.sedar.com).

During 2020, a total of 521 km of ground magnetics surveying was completed in the main part of the project. The survey was designed to assist with future exploration target generation comprehend the magnetic signature of the project and be able to extend that concept to other areas.

### **La Valenciana Project**

La Valenciana is located in the central-north portion of the Santa Cruz Province, Argentina. The project encompasses an area of approximately 29,600 ha 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 over the Company's entire land position, 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 three months ended March 31, 2020

	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	\$ 1,337	\$ 3,447	\$ -	\$ 431	\$ -	\$ -	\$ -	\$ 5,215
Cost of sales	(500)	(1,599)	-	(349)	-	-	-	(2,448)
Gross profit (loss)	\$ 837	\$ 1,848	\$ -	\$ 82	\$ -	\$ -	\$ -	\$ 2,767
Operating expense								
Exploration expense	\$ -	\$ (141)	\$ (247)	\$ (40)	\$ (266)	\$ -	\$ -	\$ (694)
Administrative expense	-	-	(51)	-	(672)	(154)	(178)	(1,055)
Depreciation expense	-	-	(4)	-	(31)	(25)	-	(60)
Share-based payments	-	-	-	-	-	-	(85)	(85)
Interest expense	-	-	-	-	(188)	(199)	(330)	(717)
Total operating expense	\$ -	\$ (141)	\$ (302)	\$ (40)	\$ (1,157)	\$ (378)	\$ (593)	\$ (2,611)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ 1	\$ -	\$ 54	\$ -	\$ -	\$ 55
Gain/(loss) on foreign exchange	-	-	237	-	(411)	(660)	829	(5)
Accretion expense	(104)	(8)	-	(50)	-	-	-	(162)
Realized gain (loss) on investment	-	-	-	-	728	-	-	728
Total other income/(expense)	\$ (104)	\$ (8)	\$ 238	\$ (50)	\$ 371	\$ (660)	\$ 829	\$ 616
Income/(loss) – before income tax								
Income/(loss) – before income tax	\$ 733	\$ 1,699	\$ (64)	\$ (8)	\$ (786)	\$ (1,038)	\$ 236	\$ 772
Income tax/(benefit)	-	-	(17)	-	(398)	-	-	(415)
Net income/(loss)	\$ 733	\$ 1,699	\$ (91)	\$ (8)	\$ (1,184)	\$ (1,038)	\$ 236	\$ 357

For the three months ended March 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	\$ 1,265	\$ 3,606	\$ -	\$ -	\$ -	\$ -	\$ -	4,871
Cost of sales	(1,616)	(5,207)	-	-	-	-	-	(6,823)
Gross profit (loss)	\$ (351)	\$ (1,601)	\$ -	\$ -	\$ -	\$ -	\$ -	(1,952)
Operating expense								
Exploration expense	\$ -	\$ -	\$ (604)	\$ -	\$ (238)	\$ -	\$ -	(842)
Administrative expense	-	-	(31)	-	(2,007)	(209)	(18)	(2,265)
Depreciation expense	-	-	(5)	-	(17)	(25)	-	(47)
Share-based payments	-	-	-	-	-	(21)	-	(21)
Interest expense	-	-	-	-	(283)	(148)	-	(431)
Total operating expense	\$ -	\$ -	\$ (640)	\$ -	\$ (2,545)	\$ (403)	\$ (18)	(3,606)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 28	\$ -	\$ -	28
Gain/(loss) on foreign exchange	-	-	26	-	(35)	(350)	319	(40)
Accretion expense	(12)	(9)	-	-	-	-	-	(21)
Total other income/(expense)	\$ (12)	\$ (9)	\$ 26	\$ -	\$ (7)	\$ (350)	\$ 319	(33)
Income/(loss) – before income tax	\$ (363)	\$ (1,610)	\$ (614)	\$ -	\$ (2,552)	\$ (753)	\$ 301	(5,591)
Income tax/(benefit)	-	-	-	-	1,594	-	-	1,594
Net income/(loss)	\$ (363)	\$ (1,610)	\$ (614)	\$ -	\$ (958)	\$ (753)	\$ 301	(3,997)

## Liquidity and Capital Resources

	Total Assets		Total liabilities	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
	\$'000	\$'000	\$'000	\$'000
Argentina – Cap-Oeste	\$ 10,814	\$ 9,116	\$ 2,735	\$ 2,629
Argentina - Lomada	1,894	2,996	2,102	1,979
Argentina - Calcatreu	16,473	14,678	1,519	1,591
Argentina - Martha & La Josefina	10,697	12,106	2,145	5,475
Argentina and Chile	7,632	11,263	3,628	3,875
United Kingdom	21	177	17,439	20,240
North America	4,811	4,453	14,771	9,824
<b>Total</b>	<b>\$ 52,342</b>	<b>\$ 54,789</b>	<b>\$ 44,339</b>	<b>\$ 45,613</b>

At March 31, 2020, the Company had a working capital deficiency of \$31,068 as compared to a working capital deficiency of \$22,484 at December 31, 2019. The working capital change is owing to the Company's reclassification of debt with related parties from long-term liability to current liability in the amount of \$13,120.

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 March 31, 2020, 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

The recent 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.

Additionally, while the potential economic impact brought by, and the duration of the COVID-19 pandemic is difficult to assess or predict, the impact of the COVID-19 pandemic on the global financial markets may reduce our ability to access capital, which could

negatively impact our short-term and long-term liquidity. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, financing or mining production activities or the ore and mining industry or the global economy as a whole. However, these effects could have a material impact on our liquidity, capital resources, operations and business and those of the third parties on which we rely. The management and board of the Company is constantly monitoring this situation to minimize potential losses.

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	15,090	13,222	1,768	-	-
<b>TOTAL</b>	<b>\$ 15,090</b>	<b>\$ 13,222</b>	<b>\$ 1,768</b>	<b>\$ -</b>	<b>\$ -</b>

### Transactions between related parties

Details of transactions with related parties are disclosed in Note 20 of the financial statements.

### Disclosure of Outstanding Share Data

As of July 14, 2020, the Company had 317,943,990 common shares outstanding.

As of July 14, 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 condensed interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed interim 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 audited financial statements included in the 2019 10-K.

The accounting policies that we follow are set in note 4 of the audited financial statements included in the 2019 10-K. 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 included.

## 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.

#### Three months ended March 31, 2020 (in 000's, except per unit amounts)

	Cap-Oeste		Lomada de Leiva		Mina Martha	
Cost of sales	\$	1,599	\$	500	\$	349
Less: Depreciation		(211)		(107)		(38)
Add/(Less): Other charges and timing differences <sup>(1)</sup>		(279)		94		195
Cash costs	\$	1,109	\$	487	\$	506
Add: Depreciation <sup>(2)</sup>		114		96		64
Cash costs and depreciation	\$	1,223	\$	583	\$	570
Ounces produced		1,492		888		356
Cash costs per ounce	\$	743	\$	548	\$	1,421
Cash costs and depreciation per ounce	\$	820	\$	656	\$	1,601

(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.

### Average gross price per ounce sold

Average gross price per ounce sold is calculated by dividing the revenue for the relevant period by the ounces sold.

#### Three months ended March 31, 2020 (in 000's, except per unit amounts)

	Cap-Oeste		Lomada de Leiva	
Revenue (per Note 23 of the financial statements)	\$	3,447	\$	1,337
Ounces sold		2,141		857
Average gross price per ounce sold	\$	1,610	\$	1,560

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, the Company is not required to provide the information in this Item.

### **ITEM 4: CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

The management of Patagonia Gold Corp. has evaluated, with the participation of the Principal Executive Officer and Principal Financial Officer, the effectiveness of disclosure controls and as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In additions, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are ineffective in that we could not assure that that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms resulting in unmade or late filings. Our controls and procedures were primarily adversely affected by the lack of experience within the Company in complying with the requirements of a SEC domestic publicly reporting entity.

#### **Management's Annual Report on 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 Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Principal Executive Officer and Principal Financial Officer, assessed the effectiveness of internal control over financial reporting as of March 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control over Financial Reporting – Guidance for Smaller Public Companies. Based on management's assessment, and in consideration of the COSO criteria, management concluded that our internal control over financial reporting is not effective as of March 31, 2020 due to the material weakness described below.

Our finance and accounting staff do not have adequate expertise in GAAP and the securities laws of the United States to ensure proper application thereof. Management has determined that they require additional training and assistance in US GAAP matters and SEC filing requirements to the extent that the Company will continue to be required to report pursuant to US GAAP and U.S. domestic issuer reporting requirements. The Company will, as needed, provide training to our employees to ensure that the Company can comply with US GAAP and SEC filing requirements.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control system, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.



Management regularly reviews system of internal control over financial reporting to ensure the Company maintains an effective internal control environment. There were no changes in internal controls over financial reporting during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The Company had no legal proceedings as at March 31, 2020.

### **Item 1A. Risk Factors**

As a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, the Company is not required to provide the information in this Item.

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

None

### **Item 3. Defaults Upon Senior Securities**

There have been no defaults upon senior securities.

### **Item 4. Mine Safety Disclosures**

The Company has no outstanding mine safety violations or other regulatory safety matters to report, pursuant to Item 104 of Regulation S-K. Therefore, no Exhibit 95 is necessary to be included with this filing.

### **Item 5. Other Information**

As a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, the Company is not required to provide the information in this Item.

**Item 6. EXHIBITS**

Exhibit Number	Document Description	Incorporated by reference			Filed herewith
		Form	Date	Number	
3.1	Articles of Incorporation – British Columbia	F-1/A-4	06/30/14	3.4	
10.1	Exploration and Option Agreement between Cerro Cazador S.A. and FK Minera S.A. dated March 28, 2007	F-1/A-2	12/20/12	10.1	
10.2	Agreement between Fomento Minero de Santa Cruz Sociedad del Estado and Hunt Mining Corp.'s subsidiary, Cerro Cazador, S.A., with respect to the La Josefina property, dated July 24, 2007	F-1/A-2	12/20/12	10.2	
10.3	Share Purchase Agreement among Sinomar Capital Corp., Cerro Cazador S.A., Hunt Mountain Resources Ltd. and Hunt Mountain Investments, LLC, dated October 13, 2009	F-1/A-3	03/28/14	10.3	
10.4	Executive Employment Agreement with Matthew J. Hughes dated January 1, 2012	F-1/A-3	03/28/14	10.4	
10.5	Executive Employment Agreement with Timothy R. Hunt dated January 1, 2012	F-1/A-3	03/28/14	10.5	
10.6	Executive Employment Agreement with Danilo P. Silva dated January 1, 2012	F-1/A-3	03/28/14	10.6	
10.7	Executive Employment Agreement with Matthew A. Fowler dated January 1, 2012	F-1/A-3	03/28/14	10.7	
10.8	Exploration Agreement Among Eldorado Gold Corporation, Hunt Mining Corp. and Cerro Cazador, S.A. dated May 3, 2012	F-1/A-3	03/28/14	10.8	
10.9	Agreement between Fomento Minero de Santa Cruz Sociedad del Estado and Hunt Mining Corp.'s subsidiary Cerro Cazador, S.A. with respect to the La Josefina property, dated November 15, 2012	F-1/A-4	06/30/14	10.9	
10.10	Amended Agreement between Fomento Minero de Santa Cruz Sociedad del Estado and Hunt Mining Corp.'s subsidiary, Cerro Cazador, S.A., with respect to the La Valenciana property, dated November 15, 2012	F-1/A-3	03/28/14	10.10	
10.11	Buyer's Contract with Ocean Partners USA, Inc., Hunt Mining Corp and Huntwood Industries, Inc. dated September 28, 2016	10-K	05/22/17	10.11	
10.12	Advance Payment Facility Agreement with Ocean Partners USA, Inc., Hunt Mining Corp and Huntwood Industries, Inc. dated October 28, 2016	10-K	05/22/17	10.12	
14.1	Code of Ethics	10-K	05/19/17	14.1	
21.1	List of Subsidiaries	10-K	05/22/17	21.1	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X

32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the Chief Executive Officer				X
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the Chief Financial Officer				X
99.2	2011 Stock Option Plan of Hunt Mining Corp.	F-1/A-2	12/20/12	99.1	
99.2	Audit Committee Charter	F-1	06/12/12	99.1	
101.INS	XBRL Instance Document				X
101.SCH	XBRL Taxonomy Extension – Schema				X
101.CAL	XBRL Taxonomy Extension – Calculations				X
101.DEF	XBRL Taxonomy Extension – Definitions				X
101.LAB	XBRL Taxonomy Extension – Labels				X
101.PRE	XBRL Taxonomy Extension – Presentation				X

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities and Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of July, 2020.

**PATAGONIA GOLD CORP.**

BY: /s/ "Christopher van Tienhoven"

Christopher Van Tienhoven  
Chief Executive Officer

BY: /s/ "Cristian Lopez Saubidet"

Cristian Lopez Saubidet  
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<i>Signature</i>	<i>Title</i>	<i>Date</i>
<u>/s/ "Carlos J. Miguens"</u> Carlos J. Miguens	Director	July 14, 2020
<u>/s/ "Tim Hunt"</u> Tim Hunt	Director	July 14, 2020
<u>/s/ "Christopher van Tienhoven"</u> Christopher van Tienhoven	Director	July 14, 2020
<u>/s/ "Cristian Lopez Saubidet"</u> Cristian Lopez Saubidet	Director	July 14, 2020
<u>/s/ "Alexander Harper"</u> Alexander Harper	Director	July 14, 2020
<u>/s/ "David Jarvis"</u> David Jarvis	Director	July 14, 2020
<u>/s/ "Leon Hardy"</u> Leon Hardy	Director	July 14, 2020

**Certification of Principal Executive Officer****Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Christopher van Tienhoven, certify that:

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

Date: July 14, 2020

By: /s/ "Christopher van Tienhoven"

Name: Christopher van Tienhoven

Title: Chief Executive Officer

**Certification of Principal Financial Officer****Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Cristian Lopez Saubidet, certify that:

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

Date: July 14, 2020

By: /s/ "Cristian Lopex Saubidet"

Name: Cristian Lopez Saubidet

Title: Chief Financial Officer

**Certification of Principal Executive Officer  
Pursuant to 18 U.S.C. §1350**

Solely for the purposes of complying with 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Executive Officer of Patagonia Gold Corp. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 14, 2020

By: /s/ “Christopher van Tienhoven”

Name: Christopher van Tienhoven

Title: Chief Executive Officer

**Certification of Principal Financial Officer  
Pursuant to 18 U.S.C. §1350**

Solely for the purposes of complying with 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Financial Officer of Patagonia Gold Corp. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 14, 2020

By: /s/ “Cristian Lopex Saubidet”

Name: Cristian Lopez Saubidet

Title: Chief Financial Officer