PATAGONIA GOLD CORP.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE TO READER

This management's discussion and analysis ("MD&A") replaces and supersedes the MD&A previously filed on SEDAR at www.sedar.com on June 15, 2020 for the year ended December 31, 2019. The board of directors, in consultation with management of Patagonia Gold Corp. (the "Company"), determined that the Company's audited annual consolidated financial statements for the year ended December 31, 2019 filed on SEDAR at www.sedar.com on June 15, 2020 should be refiled in order for the Company to improve its disclosure to better comply with the requirements of the United States Securities and Exchange Commission that were applicable at the time. Although there were no changes to any of the numbers in the financial statements themselves, the subsequent events note to the financial statements (Note 29) was updated and there were amendments to the MD&A (Item 7) to include discussion of the segmented results of operations.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018, and the notes thereto included in this annual report. This MD&A includes certain non-GAAP financial performance measures. For a detailed description of these measures, please see "Non-GAAP Financial Performance Measures" at the end of this item. The amounts presented in this MD&A are in thousands ($'000) of U.S dollars unless otherwise noted.

Additional information relevant to the Company's activities can be found on their website at http://patagoniagold.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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. See Note 26 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the reverse acquisition.

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

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

The consolidated financial statements for the year ended December 31, 2019 includes its subsidiaries after elimination of intercompany transactions and balances stated in Item 1.

The Company's activities include the exploration and production of minerals from properties in Argentina. See Note 8 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the mineral properties. 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

During the year ended December 31, 2019, the Company earned total revenue of $21,938 compared to $47,441 during the year ended December 31, 2018. Gold and silver sold by the Company is attributed to Cap-Oeste, Lomada de Leiva and Martha Projects.

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

The Company incurred administrative expenses of $7,262 during the year ended December 31, 2019 compared to $6,017 during the year ended December 31, 2018. The increase in administrative expenses during 2019 was due to termination payments made as a result of closing Lomada and putting Cap-Oeste on care and maintenance and due to increase in professional fees incurred in connection with the reverse acquisition. See Note 26 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the reverse acquisition.

The Company incurred exploration expenses of $3,758 during the year ended December 31, 2019 compared to $1,802 during the year ended December 31, 2018. The increase in exploration expense was due to the increase in remediation costs for the Lomada project.

The Company incurred interest expense of $2,131 during the year ended December 31, 2019 compared to $1,665 during the year ended December 31, 2018. The increase in interest expense during 2019 was a result of the debt assumed as part of the reverse acquisition during 2019.

The net loss for the year ended December 31, 2019 was $9,675 compared with a net loss of $7,846 for the year ended December 31, 2018. The increase in net loss during 2019 was due to lower revenues, increase in administrative and exploration expenses, increase in interest expense and non-cash charges for inventory write-down and impairment of mineral properties due to the closure of Lomada and putting Cap-Oeste on care and maintenance.

Basic and diluted net loss per share was $0.03 during the years ended December 31, 2019 and 2018. The basic and diluted net loss per share remained consisted as the higher net loss during 2019 was offset by higher weighted average shares outstanding in 2019.

Cap-Oeste

Cap-Oeste produced a total of 10,585 oz AuEq (7,796 oz Au and 237,727 oz Ag) during the year ended December 31, compared to 42,900 oz AuEq during the year ended December 31, 2018. The cash costs of production for the year were US$573/oz[3] and US$651/oz[3] including depreciation and amortization. Cap-Oeste generated revenues of $14,903 during the year ended December 31, 2019 compared to $47,441 during the year ended December 31, 2018. The decrease in production and revenues was due to placing Cap-Oeste on care and maintenance in February 2019.

Lomada

Lomada produced a total of 3,969 ounces of gold during the year ended December 31, 2019 compared to 486 ounces during the year ended December 31, 2018. The cash costs of production for the year were US$437/oz[3] and US$580/oz[3] including depreciation and amortization. Lomada generated revenues of $4,750 during the year ended December 31, 2019 compared to $Nil during the year ended December 31, 2018. The increase in production and revenues was due the re-handling and crushing of stockpiled ore at Lomada which resumed at the end of November 2018.

Martha and La Josefina Projects

Martha produced a total of 1,008 oz AuEq (232 oz Au and 65,620 oz Ag) during the year ended December 31, 2019. The cash costs of production during the year were US$714/oz[3] and US$805/oz[3] including depreciation and amortization. Martha generated revenues of $2,285 during the year ended December 31, 2019.

The Company incurred exploration expenses of $300 and exploration expenses of $871 during the year ended December 31, 2019. The administrative expenses consisted primarily of salaries, taxes and office expenses.

Exploration expenses consisted primarily of consultant fees.

These assets were acquired in the reverse acquisition in 2019 and hence do not include comparatives for the year ended December 31, 2018.

[3] See Non-GAAP Financial Performance Measures

Calcatreu Project

Exploration expense during the year ended December 31, 2019 was $1,300 compared to $1,720 during the year ended December 31, 2018. The exploration expense decreased compared to last year as following the acquisition of Calcatreu in 2018, the Company had performed additional drilling and studies which lead to more exploration expenses during 2018.

Argentina, Uruguay and Chile

This segment includes the results of La Manchuria project, La Sarita project, San José Project (Uruguay) and the Lomada Project.

Exploration expense during the year ended December 31, 2019 was $1,931 compared to $82 during the year ended December 31, 2018. The increase in exploration expense was due to the increase in remediation costs for the Lomada project.

Administrative expense during the year ended December 31, 2019 was of $4,072 compared to $4,706 during the year ended December 31, 2018. The administrative expense decreased during 2019 as a result of the devaluation of the Peso.

Interest expense during the year ended December 31, 2019 was of $765 compared to $1,275 during the year ended December 31, 2018. The decrease in interest expense during 2019 was due to the repayment of loans.

United Kingdom

This segment includes the results of Patagonia Gold Limited which is a holding company and does not generate any revenues.

Administrative expense during the year ended December 31, 2019 was $1,433 compared to $1,005 during the year ended December 31, 2018. The increase in administrative expense during 2019 was due to costs associated with the reverse acquisition during 2019.

Interest expense during the year ended December 31, 2019 was of $782 compared to $390 during the year ended December 31, 2018. The increase in interest expense during 2019 was due to the additional loan received from Cantomi Uruguay S.A., a company owned and controlled by the Company's Non-Executive Chairman, Carlos J. Miguens.

North America

This segment includes the results of Patagonia Gold Corp ("PGC"), Patagonia Gold Canada Inc, 1494716 Alberta Ltd. ("AL") and Hunt Gold USA LLC ("HGU"). These entities are holding companies and do not generate any revenues. PGC, AL and HBU were acquired as part of the reverse acquisition during 2019 and their results of operations prior to the reverse acquisition are not incorporated in the consolidated financial statements for the year ended December 31, 2019 and 2018.

Administrative expense during the year ended December 31, 2019 was $307 compared to $80 during the year ended December 31, 2018. The increase in administrative expenses was a result of the operations of new entities acquired in the reverse acquisition.

Interest expense during the year ended December 31, 2019 was of $584 compared to $Nil during the year ended December 31, 2018. The increase in interest expense during 2019 was a result of debts assumed in the reverse acquisition during the year.

Summary of Results of Operations:

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

The change in working capital is due to increase in increase in bank indebtedness, additional accounts payable and accrued liabilities acquired as part of the reverse acquisition during the year and due to write down of inventory recognized during 2019.

The decrease in shareholders' equity was due to the net loss for the year and partially offset by increase in the capital stock due to shares issued in the reverse acquisition during the year.

Total assets increased primarily due to the assets acquired in the reverse acquisition and the normal fluctuations in operations, reduction in inventory levels and depreciation of property, plant and equipment.

Non-current liabilities increased during 2019 as result of a loan facility provided by Cantomi Uruguay S.A., a company owned and controlled by the Company's Non-Executive Chairman, Carlos J. Miguens and additional long-term debt assumed in the reverse acquisition during the year.

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

The Company generated $2,774 of cash from operating activities for the year ended December 31, 2019 compared to $11,769 for the year ended December 31, 2018. The decrease in cash from operating activities was mainly due to lower net income during 2019 after adjusting for non-cash charges such as depreciation, asset retirement obligation, impairment and inventory write down.

Cash used in investing activities for the year ended December 31, 2019 was $880 compared to $11,858 for the year ended December 31, 2018.The large variance in cash used in investing activities was primarily due to purchase of mining rights, during the year ended December 31, 2018 for $14,612. The Company had acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline Argentina S.A. ("MASA"), the difference between the fair value of the net asset and the price paid for the 100% of the shares of MASA, $14,612, is related to the rights to explore and mine the Calcatreu Deposit.

Cash from financing activities for the year ended December 31, 2019 was $593 compared to $4,470 of cash used during the year ended December 31, 2018. During 2019, the company's bank indebtedness increased by $2,608 and the Company received $8,515 in additional proceeds from loans with related parties and repaid $10,530 of other loans. During 2018, the company's bank indebtedness increased by $7,877 and the Company received $6,278 from loans and repaid $18,625.

Financial Position

Cash

The company has cash on hand of $685 as of December 31, 2019 compared to $660 as of December 31, 2018.

Receivables

Current receivables are $1,516 as of December 31, 2019 compared to $4,923 as of December 31, 2018. The $3,407 decrease in current receivables was mainly due to collection of Value added tax ("VAT") during 2019.

Non-current receivables are $3,814 as of December 31, 2019 compared to $3,072 as of December 31, 2018. The $742 increase in non-current receivables was mainly due increase in recoverable VAT and other recoverable costs.

Inventory

The company has inventory of $3,347 as of December 31, 2019 compared to $6,286 as of December 31, 2018. The decrease in inventory is mainly due to $2,368 write down recognized during 2019 as result of closure of Lomada and putting Cap-Oeste on care and maintenance.

Property, plant and equipment ("PPE")

The company has PPE of $10,508 as of December 31, 2019 compared to $9,478 as of December 31, 2018. PPE increased by $1,030 mainly due to the assets acquired in the reverse acquisition. See Note 26 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the reverse acquisition.

Bank indebtedness

The company has bank indebtedness of $14,989 as of December 31, 2019 compared to $12,381 as of December 31, 2018. The increase in bank indebtedness was a result on drawing down against the existing lines of credit for operational purposes.

Accounts payable and accrued liabilities

The company has accounts payable and accrued liabilities of $5,992 as of December 31, 2019 compared to $6,681 as of December 31, 2018. The decrease in accounts payable and accrued liabilities was a result of normal fluctuations in operations.

Accounts payable with related parties

The company has accounts payable with related parties of $6,717 as of December 31, 2019 compared to $246 as of December 31, 2018. The increase in accounts payable with related parties is a result of administrative expenses and interest payable to a company controlled by a director. This liability was assumed in the reverse acquisition during the year. See Note 26 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the reverse acquisition.

Loan payable and current portion of long-term debt

The company has loan payable and current portion of long-term debt of $334 as of December 31, 2019 compared to $10,102 as of December 31, 2018. The decrease in loan payable and current portion of long-term debt was due to repayment of short-term loans that the Company uses to financing ongoing operational requirements.

Long-term debt with related parties

The company has long-term debt with related parties of $11,708 as of December 31, 2019 compared to $Nil as of December 31, 2018

In February 2019, the Company announced that Cantomi Uruguay S.A., a company owned and controlled by the Company's Non-Executive Chairman, Carlos J. Miguens, had provided a two year $15,000 loan facility that will be utilized to fund the Company's activities going forward, while the review of the Cap-Oeste underground option is ongoing together with the Feasibility Study of its flagship Calcatreu project. As of December 31, 2019, there is $7,908 owing under the loan facility. Additional long-term debts with related parties were acquired as part of the reverse acquisition during 2019.

Capital Stock

The company has capital stock of $2,588 as of December 31, 2019 compared to $301 as of December 31, 2018. The increase in capital stock is due to the shares issued in the reverse acquisition. See Note 26 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the reverse acquisition.

Segment Information

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

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

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

Liquidity and Capital Resources

At December 31, 2019, the Company had a working capital deficiency of $22,484 as compared to a working capital deficiency of $17,541 at December 31, 2018. The working capital change is due to the $2,368 inventory write down for Cap-Oeste. In addition, working capital decreased due to a reduction in revenue decreasing receivables from $4,923 for the year ended December 31, 2018 to $1,516 for the year ended December 31, 2019.

The Company's capital management objectives are:

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

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

The Company sets the amount of capital in proportion to its overall financing structure (i.e. equity and financial liabilities). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

In February 2019, the Company announced that Cantomi Uruguay S.A., a company owned and controlled by the Company's Non-Executive Chairman, Carlos J. Miguens, had provided a two year $15,000 loan facility that will be utilized to fund the Company's activities going forward, while the review of the Cap-Oeste underground option is ongoing together with the Feasibility Study of its flagship Calcatreu project. As of December 31, 2019, there is $7,908 owing under the loan facility.

The Company also has access to operating lines of credit. As at December 31, 2019, the Company had drawn $14,989 against the credit facilities. The lines of credit had an original maturity date of June 30, 2020 and were subsequently renewed with a January 31, 2021 maturity date.

On October 30, 2020, the Company entered into an agreement with director Tim Hunt and his related parties to convert an aggregate of $10,000 of outstanding debt into 44,040,277 common shares of the Company at a price per share that is equal to CAD $0.30. The converted debt includes $4,822 of principal and accrued interest and $ 5,178 in accounts payable in respect of interest, rent and administration expenses. The balance of $1,458 owing to Tim Hunt is expected to be settled in full by December 10, 2020 by a cash payment of $720 plus 7% accrued interest.

Off-balance sheet arrangements

As at December 31, 2019, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to us.

COVID-19

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

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

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

Proposed Transactions

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

Contractual Obligations

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

Critical Accounting Policies and Developments

Our discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis, including those related to provisions for uncollectible receivables, mineral reserves, inventories, asset retirement obligations, valuation of intangible assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See Note 6 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the critical accounting judgements and estimated applied by the Company.

The accounting policies followed by the Company are set in Note 4 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018. 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.

See Note 5 in the notes to the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 for more information regarding the impact of recent accounting pronouncements.

Non-GAAP Financial Performance Measures

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

Cash Costs

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

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

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

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