

**PATAGONIA GOLD CORP.**

**AMENDED AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE TO READER**

These audited annual consolidated financial statements for the year ended December 31, 2019 replace and supersede the previously filed audited annual financial statements in respect of the same period filed on June 15, 2020. 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](http://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 (the “SEC”) that were applicable at the time. Although there were no changes to any of the numbers in the financial statements themselves, these financial statements reflect the following amendments: the section on properties (Item 2) was updated to comply with SEC Industry Guide 7; the MD&A (Item 7) was updated to include discussion of the segmented results of operations; in the executive compensation section (Item 11), the summary compensation and outstanding stock option disclosure for the officers was improved; the disclosure regarding beneficial ownership of directors and officers (Item 12) was improved; the disclosure regarding related transactions (Item 13) was improved, and the subsequent events note (Note 29) was updated.

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

FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: December 31, 2019

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)

Securities Registered pursuant to Section 12(b) of the Act;

Title of each class	Name on each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name on each exchange on which registered
None	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

\$13,275,516

As of November 17, 2020, the registrant's outstanding common stock consisted of 361,829,267 common shares.

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## ADDITIONAL INFORMATION

Descriptions of agreements or other documents in this report are intended as summaries and are not necessarily complete. Please refer to the agreements or other documents filed or incorporated herein by reference as exhibits. Please see the Exhibit Index at the end of this report for a complete list of those exhibits.

### *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.

## PART I

### **Item 1. 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 the “reverse takeover” or the “RTO”) resulting in Hunt acquiring all issued shares of common stock of PGP in exchange for common shares of Hunt on the basis of 10.76 Hunt shares for each PGP share. Hunt issued 254,355,192 common shares to the shareholders of PGP representing an ownership interest of approximately 80%. The operating name of Hunt Mining Corp. was changed to Patagonia Gold Corp. 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.

As a result of the RTO, former shareholders of PGP acquired control of the Company, and the transaction was accounted for as an RTO that constitutes a business combination for accounting purposes and is accounted for using the acquisition method under ASC 805. PGP is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values, and the net assets of the Company are recorded at the fair value as at the date of the transaction. However, the equity structure (that is, the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued in connection with the RTO. Transaction costs incurred in connection with the reverse acquisition, other than costs associated with financings, were expensed as incurred.

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

Patagonia is a mineral exploration and production company incorporated on January 10, 2006 under the laws of Alberta, Canada and together with its subsidiaries, is engaged in the exploration of mineral properties and exploitation of mineral resources and mineral reserves in the Santa Cruz, Rio Negro and Chubut Provinces of Argentina. Effective November 6, 2013, the Company relocated from the Province of Alberta to the Province of British Columbia. The Company’s registered

office is located at Suite 2200, 885 West Georgia Street, Vancouver, B.C. V6C 3E8. The Company's head office is located at Av. Del Libertador 498, Piso 26, C1001ABR, Buenos Aires, Argentina.

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

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

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

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

Patagonia is one of the largest landholders in the very prospective province of Santa Cruz. Currently its sole producing mine in the region is the Martha mine. Formerly owned and operated by Coeur Mining Inc. (formerly Coeur d'Alene Mines Corp.) and Yamana, the mine was acquired in May 2016 with production of gold and silver recommencing in January 2017. Martha produced a total of 1,008 ounces of gold and 65,620 ounces of silver during 2019.

Following cessation of open pit operations at Cap-Oeste, work is continuing to evaluate the development of the high-grade underground resource which contains approximately 300,000 oz AuEq at 20 g/t Au. Production from the existing heap leach pad continued at Cap-Oeste during 2019 and yielded a total of 7,796 ounces of gold and 237,727 ounces of silver.

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

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

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

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

### **Competitive Business Conditions**

The mineral exploration business is an extremely competitive industry. The Company competes with other exploration and mining companies for prospective property and the capital necessary to sustain exploration and development programs on those properties. As a result, the Company may have difficulty acquiring attractive silver and gold projects at reasonable prices. The Company also competes for skilled labor and consultants for man hours and consulting time.

Generally, the Company is subject to the risks inherent to the mining industry. The primary risk of mineral exploration is the low probability of finding a major deposit of minerals. The Company attempts to mitigate this risk by focusing its efforts in areas known to host significant mineral deposits, and by relying on its experienced management team to drive acquisitions of properties that have higher-than-average probabilities of success.

When considering acquisition of properties, not only are essentials such as cost, terms, timing, and market considerations evaluated but also careful screening based on geological, engineering, environmental, and metallurgical factors. In all its operations, the Company competes for skilled labor within the mining industry.

Another significant risk in the mining industry is the price of metals such as gold and silver. If the prices of these metals were to fall substantially, it could lead to a loss of investor interest in the mineral exploration sector, which would increase the difficulty to raise capital necessary to move exploration and development plans forward.

### **Effect of Existing or Probable Government Regulation**

The Company's exploration and development activities and other property interests are subject to various national, state, provincial and local laws and regulations in the United States, Canada, Argentina, and other jurisdictions, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. The Company has obtained or has pending applications for those licenses, permits or other authorizations currently required to conduct exploration and other programs. The Company believes that it complies in all material respects with applicable mining, health, safety and environmental statutes and regulations in all the jurisdictions in which it operates. The Company is not aware of any current orders or directions relating to us with respect to the foregoing laws and regulations.

### **Environmental Regulation**

The Company's projects are subject to various federal, state and local laws and regulations governing protection of the environment. These laws are continually changing and, in general, are becoming more restrictive. The Company's policy is to conduct business in a way that safeguards public health and the environment. The Company believes that its operations are conducted in material compliance with applicable laws and regulations. Changes to current local, state or federal laws and regulations in the jurisdictions where it operates could require additional capital expenditures and increased operating and/or reclamation costs. The Company is unable to predict what additional legislation, if any, might be proposed or enacted, or what additional regulatory requirements could impact the economics of its projects. During 2019, none of the project sites had any material non-compliance occurrences with any applicable environmental regulations.

The Company generally will be required to mitigate long-term environmental impacts by stabilizing, contouring, re-sloping and revegetating various portions of a site after mining and mineral processing operations are completed. These reclamation efforts would be conducted in accordance with detailed plans, which must be reviewed and approved by the appropriate regulatory agencies.

### **Employees**

As at December 31, 2019, the Company had 119 full and part time employees and 6 individuals working on a consulting basis. Its operations are managed by officers with input from directors.

## Available Information

Additional information with regards to the Company is available on its website at [www.patagoniagold.com](http://www.patagoniagold.com). Information contained on the website is not a part of this report.

## Item 1A. Risk Factors

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

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

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

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

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

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

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

The Company owns the surface rights to over 108,200 hectares of land encompassing the Estancia (ranch) La Bajada, the Estancia El Tranquilo, the Estancia El Rincon, the Estancia 1° de Abril and the Estancia La Josefina. The Company has clear title and outright ownership over Estancia La Bajada, Estancia El Tranquilo, Estancia 1° de Abril and Estancia La Josefina. There is a back in right granted to the sellers under Estancia El Rincon's title deed whereby the Company irrevocably committed to resell the estancia to its former owner in the event that two consecutive years elapse without mining activities. Current activity on this estancia includes the Lomada Project.

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

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

## **Calcatreu Project**

The Company's principal project, Calcatreu, is located in south-central Rio Negro Province approximately 80 km southwest 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 hectares ("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 sulfidation, epithermal gold and silver system with mineralization outcropping at surface. Ore reserves have not yet been established to assess the technical and economic viability of the project's current mineralized material though the Company has plans to do so. As of December 31, 2018, Calcatreu's mineralized material amounts to 9.8 million tonnes (approximately 10.8 short tons) with average gold and silver grades of 2.11 and 19.83 grams per tonne, respectively (0.062 ounces per ton of gold and 0.58 ounces per ton of silver).

A geophysical survey, consisting of 20 lines totaling 46.5km, was commissioned by the Company and covered the area between Castro Sur (to the north) and Veta (vein) 49 (to the south). Its objective was to detect the presence of hidden NNE-trending dilational fault and vein sections, similar to those at Veta 49, or any other structure with exploration potential for the discovery of new mineralization in the immediate vicinity of the Veta 49 / Nelson deposits, which comprise the current mineralized material at Calcatreu. The survey resulted in new target definition and ranking that will help guide the Company's new exploration and definition work. As a result, a drill program consisting of several geophysical-based drill targets was designed. The first, and main, part of the drill program consisted of testing covered conceptual geophysical targets, whereas the last few drill holes were focused on expanding the known mineralization at Veta 49, Belen and Castro Sur, by extrapolating its trend and plunge.

The exploration program during 2019 was mostly focused in surface work, a total of 41.28 linear kilometers of pole-dipole ground induced polarization and resistivity ("IP/Res") geophysical surveying was conducted over the main Nelson targets and Castro Norte, Fiero, Sabrina and Viuda de Castro areas, plus 121.5 linear kilometers of gradient array IP over Nelson, Sabrina and Mariano. Further, 1,687.2 km of ground magnetics, covering 55.44 sq km, were completed on the project covering several, known mineralized zones, including the main Veta 49 and Nelson. The objective was to identify non outcropping areas with potential to host mineralization in dilatational jogs, blind structures and other geologic settings.

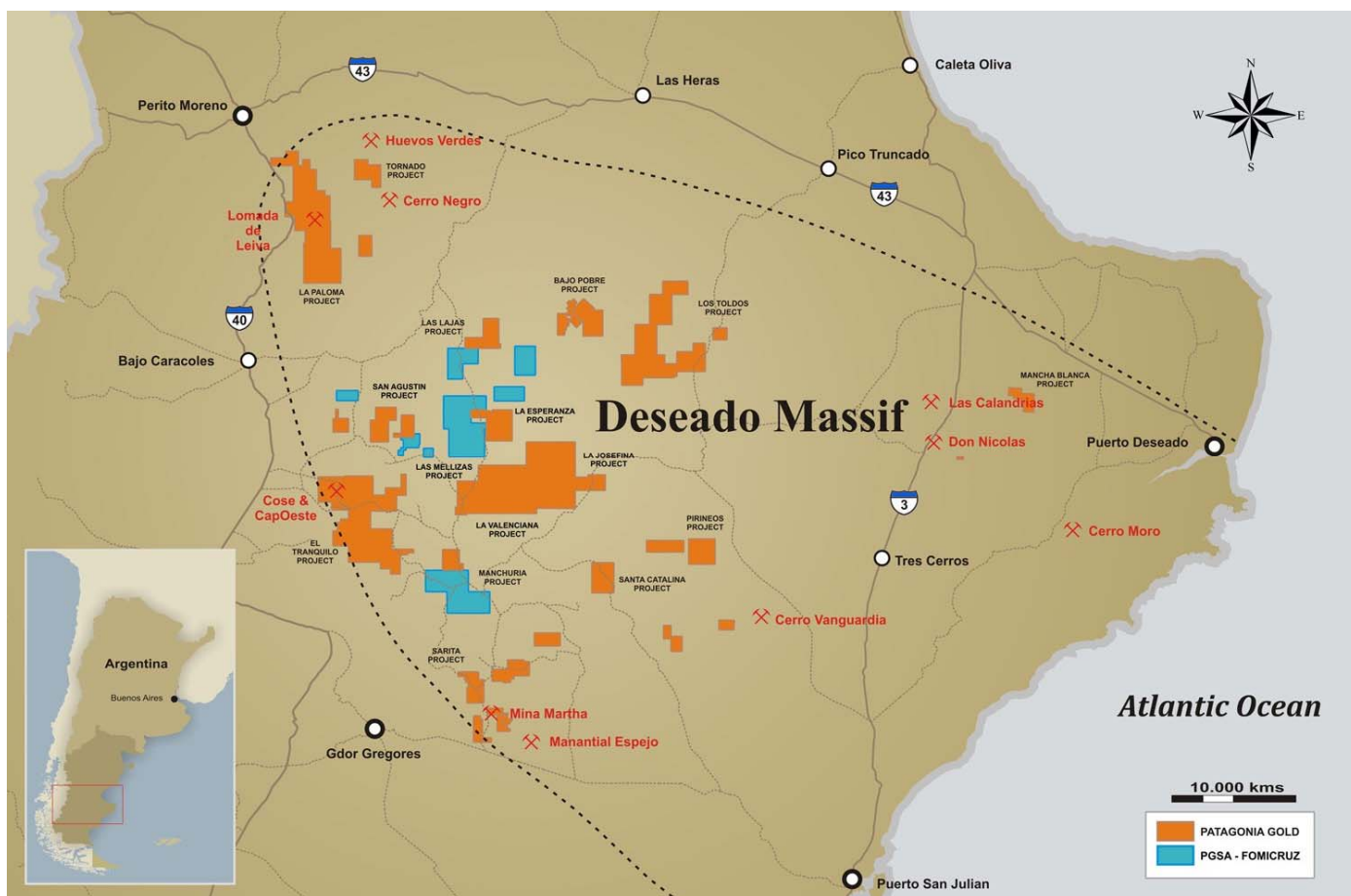
Mapping and sampling, of several areas, was conducted, including the Viuda de Castro, Trinidad, La Cruz, Nelson extension, Piche, La Olvidada and Epu-Peni targets. A total of 254 new rock chips samples were taken, plus 81 new channel samples. Approximately 50% of the core of the project has been relogged; including up to 80 holes at Veta 40 and Belen.

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

## **Santa Cruz Province**

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





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

### **General Geology of the Deseado Massif**

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

### **Cap-Oeste Project**

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

Production from the existing heap leach pad continued during 2019 and yielded a total of 7,796 ounces of Au and 237,727 ounces of Ag. The cash costs for the year were US\$573/oz<sup>1</sup> and US\$651/oz<sup>1</sup> (the later including depreciation and amortization). A total of 8,236 Au and 234,441 Ag ounces were sold during the year 2019.

The Company has initiated studies to assess the potential technical and economic extraction of a portion of the current mineralized material at Cap-Oeste. The Company is now focused on evaluating the development of this higher-grade part 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 are

<sup>1</sup> See Non-GAAP Financial Performance Measures in Item 7

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 results.

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

### Lomada de Leiva Project (Lomada)

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

During 2019, Lomada produced 3,969 ounces of gold. The cash costs for the year were US\$437/oz<sup>2</sup> and US\$ 580/oz<sup>2</sup>; the later including depreciation and amortization. A total of 3,461 ounces of Au were sold at an average gross price of \$ 1,374 per ounce Au during the year 2019.

The Company has prepared an update to the closure plan presented and approved by the provincial authorities in 2017. The Company received the final approval in November 2019 and started with the works of remediation on the end of 2019. The work on the remediation had been halted due to the COVID-19 pandemic. In October 2020, the Company received a preliminary Environmental Permit (“Permit”) for a restart of mining and new leaching operations at its Lomada mine in the western part of the Santa Cruz Province of Argentina. Patagonia applied for the Permit in August 2020.

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

### Mineralized Material Summary

<b>Cap-Oeste (Santa Cruz Province, AR) – Dec 2018;</b> <small>Notes 1 and 2</small>		
<b>Tonnes (K)</b>	<b>Average Grades (g/t)</b>	
	<b>Gold</b>	<b>Silver</b>
10,557.4	2.07	63.2

<b>Calcatreu (Rio Negro Province, AR) – Dec 2018;</b> <small>Notes 3 and 4</small>		
<b>Tonnes (K)</b>	<b>Average Grades (g/t)</b>	
	<b>Gold</b>	<b>Silver</b>
9,841.0	2.11	19.8

<b>La Manchuria (Santa Cruz Province, AR) – Feb 2019;</b> <small>Notes 5 and 6</small>		
<b>Tonnes (K)</b>	<b>Average Grades (g/t)</b>	
	<b>Gold</b>	<b>Silver</b>
474.0	2.59	129.0

<b>La Josefina (Santa Cruz Province, AR) – 2010;</b> <small>Notes 7 and 8</small>		
<b>Tonnes (K)</b>	<b>Average Grades (g/t)</b>	
	<b>Gold</b>	<b>Silver</b>
6,524.6	0.74	13.1

### Notes

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

Rounding may affect sums and weighted averages

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)

<sup>2</sup> See Non-GAAP Financial Performance Measures in Item 7

- |    |              |  |
|----|--------------|--|
| 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 2019 consisted mainly of regional reconnaissance, geological mapping, sampling, geophysics and drilling carried out at Rio Negro and Santa Cruz. The geophysical surveys were ground magnetics and pole-dipole IP/Res. During 2019, the Company's exploration drilling in Argentina was concentrated at Calcatreu, and some of its properties in Santa Cruz province. In addition to the exploration work summarized for Calcatreu above, the Company conducted other exploration at its properties

### Mina Angela

On August 13, 2019, the Company announced an offer letter agreement with Latin Metals Inc. to acquire its Mina Angela property. 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. In March 2020, Patagonia extended the period by which it must enter into the definitive agreement with a \$100 thousand payment to Latin Metals; \$50 thousand of which was applied to extend the period to enter into the definitive agreement and \$50 thousand of which was a partial prepayment of the first earn-in payment to be made under the definitive agreement.

On September 15, 2020, the Company entered into a definitive option agreement with Latin Metals Inc., which granted the Company an irrevocable option to acquire a 100% interest in the Mina Angela property. Upon signing of the definitive agreement, the Company paid \$200 thousand representing the balance of the first earn-in payment. It is expected that the Company will pay the second earn-in payment of \$250 thousand within the next six months if it exercises the option to acquire the Mina Angela property. A further and final payment of \$500 thousand is expected to be paid within 30 days of verification that the legal restrictions preventing development of mining activity in the Chubut Province and at the Mina Angela property have been lifted in such a manner that the Company thereafter has the ability to perform exploration and exploitation mining activities on the Mina Angela property. In addition, Latin Metals will be entitled to receive a 1.25% Net Smelter Royalty from future productions, half of which can be repurchased by the Company for \$1 million.

### La Manchuria Project

In addition to its current mineral resources, the La Manchuria Project is believed to be prospective for the discovery of new gold and silver mineralization. Brownfield exploration continued through mapping and rock chip sampling of approximately 2,000 ha of the total project's property size. Veinlets and narrow breccia zones indicative of hydrothermal activity were found at the Magali zone. Anomalous gold values were reported from the Cecilia zone. As a result, a new drill program for La Manchuria, of 2,000 m in 14 holes is planned to test geophysical anomalies and to test gold anomalies generated from surface rock chip sampling.

### Sarita Project

The Sarita Project, located in the SW of the Deseado Massif approximately 10 km NW of the Company's Martha mine and mill, hosts a widespread system of banded, low sulfidation Au-Ag veins, encompassing a small rhyolitic dome complex. Geologically, the area displays very similar structural and stratigraphic characteristics to the Company's Martha project 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 m wide at surface, composed of quartz and sulphides. Rock chips from discrete vein structures or aligned float have returned anomalous gold samples with up to 83.40 g/t Au and up to 15,444 g/t Ag, in separate samples. To date 16 diamond drill holes have been drilled for 1,754 m targeting the vein mineralization. Geochemical results from drilling show gold and silver anomalies. Due to poor ground conditions encountered during drilling, core recovery in some of the veins was poor and Au and Ag mineralization may have not been recovered. Other exploration activities at Sarita included geophysical surveys and drilling. Geophysical anomalies were identified by IP-Res lines [7.1 km] and by detailed ground magnetics [220 hectares] over different targets areas.

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

## **Martha Project**

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

The Company acquired Martha as part of its RTO of Hunt Mining Corp. in 2019. The land package at Martha consists of approximately 7,850 hectares of concessions, various buildings and facilities, surface and underground mining and support equipment, a 480 tonne per day (tpd - maximum) crushing, grinding and flotation plant, tailings facility, various stockpiles and waste dumps, employee living and cafeteria quarters, and miscellaneous physical materials. In addition, the Company has access to surface estancia (“ranch”) lands surrounding the mine and mill site that are approximately 35,700 ha in size.

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

The property was purchased in 2016 by Cerro Cazador SA (CCSA), an Argentine subsidiary of the Company, from an Argentine subsidiary of Coeur Mining Inc. (Coeur). The intent to purchase was announced February 10, 2016 and closed May 11, 2016 as disclosed by the Company on its website ([www.patagoniagold.com](http://www.patagoniagold.com)). 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 gr/t Ag) at Veta del Medio System, a RAB drill program was carried out to test mineralization at shallow depths. A total of 65 drill holes (1,397.4 m; up to 25 m depth) tested several targets. Highly anomalous drill intercepts, up to 1m wide and grading 7,700 g/t Ag, were returned from the Veta del Medio Norte which is being considered for follow-up core drilling. Exploration continues to focus on remaining targets by combining systematic sawn-channelling, ground magnetics surveying and new drilling.

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

## **La Josefina Project**

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

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

approximately 90% of all meters drilled by the Company. The La Josefina Project consists of mineral rights composed by an area of 528 square kilometers established in 1994 as a Mineral Reserve held by Fomicruz. The La Josefina Project comprises 16 Manifestations of Discovery (“MDs”) totaling 52,767 ha in size, which are partially covered by 399 tenements.

### **La Valenciana Project**

La Valenciana is located on the central-north area of the Santa Cruz Province, Argentina. The project encompasses an area of approximately 29,600 ha and is contiguous to the Company’s La Josefina property to the east. The La Valenciana project is comprised of 11 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 sulfidation epithermal style with gold and silver values accompanied by variable amounts of base metals. Exploration and subsequent reconnaissance sampling by CCSA added other, secondary targets and structures combining a total of 5.70 line km of 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 potential for discovery of new mineralization on the property. A new exploration program to define new sites of mineralization, including geophysical surveys and shallow drilling in new and known target areas and an intensive prospecting and reconnaissance sampling in the whole block of mining properties, is being considered.

### **Bajo Pobre Property**

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

### **El Gateado Property**

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

The Company has not yet received a formal claim notice pertaining to the El Gateado property. Should a mineral deposit be discovered, 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.

No recent exploration activity has taken place on El Gateado Property and no exploration activity is planned for the immediate future.

The scientific and technical information contained herein has been reviewed and approved by Donald J. Birak, an independent, consulting geologist.

### **Item 3. Legal Proceedings**

The Company had no legal proceedings as at December 31, 2019.

### **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.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock is listed on the TSX Venture Exchange also referred to as the "TSXV", and trades under the symbol "PGDC".

#### Exchange Rates

The Company maintains its books of account in United States dollars and references to dollar amounts herein are to the lawful currency of the United States except that it is traded on the TSX Venture Exchange (TSXV) and, accordingly, stock price quotes and sales of stock are conducted in Canadian dollars (C\$).

The following table sets out the exchange rate (price of one U.S. dollar in Canadian dollars) information as at each of the years ended December 31, 2019 and 2018.

	Year Ended December 31 (Canadian \$ per U.S. \$)	
	2019	2018
Rate at end of Period	1.2988	1.3642
Low	1.2988	1.2288
High	1.3600	1.3642

#### Dividends

The Company has not paid any cash dividends on common shares since inception and do not anticipate paying any cash dividends in the foreseeable future. The Company plans to retain earnings, if any, to provide funds for the expansion of business.

#### Outstanding Share Data

As of November 4, 2020, there are 2,438 registered holders of record of the Company's common shares.

#### Securities authorized for issuance under equity compensation plans

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. 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.

Plan category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options warrants and rights (CAD)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants and rights)
Equity compensation plans approved by security holders	7,650,000	\$ 0.065	24,144,399
Equity compensation plans not approved by security holders	-	\$ -	-

#### Recent Sales of Unregistered Securities

None.

## **Purchases of Equity Securities by the Company and Affiliated Purchasers**

None.

### **Section 15(g) of the Securities Exchange Act of 1934**

The company's shares are covered by Section 15(g) of the Securities Exchange Act of 1934, as amended, that imposes additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouses). For transactions covered by the Rule, the broker/dealer must make a special suitability determination for the purchase and have received the purchaser's written agreement to the transaction prior to the sale. Consequently, the Rule may affect the ability of broker/dealers to sell securities and may affect the ability to sell shares in the secondary market.

Section 15(g) also imposes additional sales practice requirements on broker/dealers who sell penny securities. These rules require a one-page summary of certain essential items. The items include the risk of investing in penny stocks in both public offerings and secondary marketing; terms important to in understanding of the function of the penny stock market, such as "bid" and "offer" quotes, a dealers "spread" and broker/dealer compensation; the broker/dealer compensation, the broker/dealers duties to its customers, including the disclosures required by any other penny stock disclosure rules; the customers rights and remedies in causes of fraud in penny stock transactions; and, the FINRA's toll free telephone number and the central number of the North American Administrators Association, for information on the disciplinary history of broker/dealers and their associated persons.

The application of the penny stock rules may affect your ability to resell your shares.

### **ITEM 6: SELECTED CONSOLIDATED FINANCIAL DATA**

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

### **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](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://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<sup>3</sup> and US\$651/oz<sup>3</sup> 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<sup>3</sup> and US\$580/oz<sup>3</sup> 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<sup>3</sup> and US\$805/oz<sup>3</sup> 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.

#### *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.

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<sup>3</sup> See Non-GAAP Financial Performance Measures

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:**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>Change</b>
	\$'000	\$'000	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	Cap- Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	\$ 4,750	\$ 14,903	\$ -	\$ 2,285	\$ -	\$ -	\$ -	\$ 21,938
Cost of sales	(3,879)	(11,006)	-	(1,545)	-	-	-	(16,430)
Gross profit	\$ 871	\$ 3,897	\$ -	\$ 740	\$ -	\$ -	\$ -	\$ 5,508
Operating expense								
Exploration expense	\$ -	\$ (227)	\$ (1,300)	\$ (300)	\$ (1,931)	\$ -	\$ -	\$ (3,758)
Administrative expense	-	-	(279)	(871)	(4,072)	(1,433)	(307)	(6,962)
Depreciation expense	-	-	(18)	(115)	(67)	(100)	-	(300)
Impairment of mineral properties	-	-	-	-	-	(1,996)	-	(1,996)
Share-based payments	-	-	-	-	-	(40)	(87)	(127)
Interest expense	-	-	-	-	(765)	(782)	(584)	(2,131)
Total operating expense	\$ -	\$ (227)	\$ (1,597)	\$ (1,286)	\$ (6,835)	\$ (4,351)	\$ (978)	\$ (15,274)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ 34	\$ -	\$ 157	\$ -	\$ -	\$ 191
Gain/(loss) on foreign exchange	-	-	(11)	(152)	628	(440)	352	377
Accretion expense	(46)	(39)	-	(94)	-	-	-	(179)
Total other income/(expense)	\$ (46)	\$ (39)	\$ 23	\$ (246)	\$ 785	\$ (440)	\$ 352	\$ 389
Income/(loss) – before income tax	\$ 825	\$ 3,631	\$ (1,574)	\$ (792)	\$ (6,050)	\$ (4,791)	\$ (626)	\$ (9,377)
Income tax/(benefit)	-	-	(193)	(866)	761	-	-	(298)
Net income/(loss)	\$ 825	\$ 3,631	\$ (1,767)	\$ (1,658)	\$ (5,289)	\$ (4,791)	\$ (626)	\$ (9,675)

For the year ended December 31, 2018

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

## **Liquidity and Capital Resources**

At December 31, 2019, the Company had a working capital deficiency of \$22,484 as compared to a working capital deficiency of \$17,541 at December 31, 2018. The working capital change is 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

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

### 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.



<b>Year ended December 31, 2019</b> <b>(in 000's, except per unit amounts)</b>	<b>Cap-Oeste</b>		<b>Lomada de Leiva</b>		<b>Martha</b>	
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 <sup>(1)</sup>		(1,594)		(1,096)		(711)
Cash costs	\$	6,065	\$	1,734	\$	719
Add: Depreciation <sup>(2)</sup>		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.

#### **ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

#### **ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The audited consolidated financial statements required by this item are set forth beginning on page F-1.

**Patagonia Gold Corp.**

<b>Consolidated Financial Statements</b>	
Years ended December 31, 2019 and 2018	Page
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Consolidated Balance Sheets	F-4
Consolidated Statements of Operations and Comprehensive Income (Loss)	F-5
Consolidated Statement of Shareholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to the Consolidated Financial Statements	F-8

# Report of Independent Registered Public Accounting Firm

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To the Board of Directors and Shareholders of [Patagonia Gold Corp.](#)

## Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Patagonia Gold Corp. (the “Company”) as of December 31, 2019 and December 31, 2018 and the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and December 31, 2018 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America (“US GAAP”).

## Material uncertainty related to going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company incurred a net loss of \$9.7 million during the year ended December 31, 2019, and as of that date, the Company had negative working capital of \$22.5 million and an accumulated deficit of \$174.3 million. These conditions, along with other matters as set forth in Note 3, raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

We have been the Company's auditor since February 2020.

Vancouver, Canada

June 15, 2020, (except Note 29, which is as of November 16, 2020)

**Patagonia Gold Corp.**  
**Consolidated Balance Sheets**  
**December 31, 2019 and 2018**  
(in thousands of U.S. dollars)

	Note	December 31, 2019 \$'000	December 31, 2018 \$'000
<b>Current Assets</b>			
Cash	22	\$ 685	\$ 660
Receivables	13, 23	1,516	4,923
Inventories	7	3,347	6,286
<b>Total Current Assets</b>		<b>5,548</b>	<b>11,869</b>
<b>Non-Current Assets</b>			
Mineral Properties	8, 26	8,610	2,525
Mining Rights	10	16,997	16,475
Property, plant and equipment	12	10,508	9,478
Goodwill	26	4,379	-
Other financial assets	11, 23	334	11
Deferred tax assets	28	4,599	3,778
Other receivable	14, 23	3,814	3,072
<b>Total Non-Current Assets</b>		<b>49,241</b>	<b>35,339</b>
<b>Total Assets</b>		<b>\$ 54,789</b>	<b>\$ 47,208</b>
<b>Current Liabilities</b>			
Bank indebtedness	15	\$ 14,989	\$ 12,381
Accounts payable and accrued liabilities	16, 21, 23	5,992	6,681
Accounts payable with related parties	16, 21, 23	6,717	246
Loan payable and current portion of long-term debt	17, 21, 23	334	10,102
<b>Total Current Liabilities</b>		<b>28,032</b>	<b>29,410</b>
<b>Non-Current Liabilities</b>			
Long-term debt	18, 23	312	674
Long-term debt with related parties	18, 21, 23	11,708	-
Asset retirement obligation	9	2,812	552
Deferred tax liabilities	28	2,693	-
Other long-term payables		56	79
<b>Total Non-Current Liabilities</b>		<b>17,581</b>	<b>1,305</b>
<b>Total Liabilities</b>		<b>45,613</b>	<b>30,715</b>
<b>Commitments and Contingencies (note 27)</b>			
<b>Stockholders' Equity</b>			
Capital stock: Authorized - Unlimited No Par Value Issued and outstanding – 317,943,990 common shares (December 31, 2018 - 63,588,798 common shares)	20	2,588	301
Preferred shares - Unlimited No Par Value Issues and outstanding - nil (December 31, 2018 – nil)	20	-	-
Additional paid in capital		181,676	181,549
Accumulated Deficit		(174,270)	(164,717)
Accumulated other comprehensive income (loss)		(575)	(519)
<b>Total Stockholders' Equity attributable to the parent:</b>		<b>9,419</b>	<b>16,614</b>
Non-controlling interest		(243)	(121)
<b>Total Stockholders' Equity</b>		<b>9,176</b>	<b>16,493</b>
<b>Total Liabilities and Stockholders' Equity</b>		<b>\$ 54,789</b>	<b>\$ 47,208</b>
<b>Going Concern (note 3)</b>			
<b>Subsequent events (note 29)</b>			

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

**Patagonia Gold Corp.**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**For the Year Ended December 31, 2019 and 2018**  
(in thousands of U.S. dollars)

	Note	December 31, 2019 \$'000	December 31, 2018 \$'000
Revenue		\$ 21,938	\$ 47,441
Cost of Sales	7	(16,430)	(36,361)
Gross Profit		\$ 5,508	\$ 11,080
<b>Operating Income (Expenses):</b>			
Other operating income		-	1,505
Exploration expenses		(3,758)	(1,802)
Administrative expense	22	(7,262)	(6,017)
Impairment of mineral properties	8	(1,996)	-
Share-based payments expense	20	(127)	(190)
Interest expense		(2,131)	(1,665)
Total operating expense:		\$ (15,274)	\$ (8,169)
<b>Other Income/(Expenses)</b>			
Interest income	11	191	142
Gain/(Loss) on foreign exchange		377	(12,761)
Accretion expense	9	(179)	(578)
Total other income/(expenses)		389	(13,197)
Income (Loss) – before income taxes		\$ (9,377)	\$ (10,286)
Income tax benefit (expense)	28	(298)	2,440
Net Income (Loss)		\$ (9,675)	\$ (7,846)
Attributable to non-controlling interest		(122)	(528)
Attributable to equity share owners of the parent		(9,553)	(7,318)
		\$ (9,675)	\$ (7,846)
<b>Other Comprehensive Income (Loss) net of tax</b>			
Change in fair value of investment	11	(28)	(13)
Foreign currency translation adjustment		(28)	(2,824)
Total Other comprehensive Income (Loss)		\$ (56)	\$ (2,837)
Total Comprehensive Income (Loss)		\$ (9,731)	\$ (10,683)
Weighted average shares outstanding – basic and diluted	19	282,306,312	254,387,482
Net Income (Loss) per share – Basic and Diluted	19	\$ (0.03)	\$ (0.03)

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

**Patagonia Gold Corp.**  
**Consolidated Statement of Shareholders' Equity**  
**December 31, 2019 and 2018**  
(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 - January 1, 2018</b>	<b>31,868</b>	-	<b>(157,399)</b>	<b>2,318</b>	<b>149,982</b>	<b>26,769</b>	<b>407</b>	<b>27,176</b>
Share Reorganization (note 21)	(31,567)	-	-	-	31,567	-	-	-
Net Income (Loss)	-	-	(7,318)	-	-	(7,318)	(528)	(7,846)
Other Comprehensive Loss	-	-	-	(2,837)	-	(2,837)	-	(2,837)
<b>Balance - December 31, 2018</b>	<b>301</b>	-	<b>(164,717)</b>	<b>(519)</b>	<b>181,549</b>	<b>16,614</b>	<b>(121)</b>	<b>16,493</b>
Shares issued in reverse Acquisition (note 26)	2,287	-	-	-	-	2,287	-	2,287
Net Income (Loss)	-	-	(9,553)	-	-	(9,553)	(122)	(9,675)
Share based payment	-	-	-	-	127	127	-	127
Other comprehensive income	-	-	-	(56)	-	(56)	-	(56)
<b>Balance - December 31, 2019</b>	<b>2,588</b>	-	<b>(174,270)</b>	<b>(575)</b>	<b>181,676</b>	<b>9,419</b>	<b>(243)</b>	<b>9,176</b>

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

**Patagonia Gold Corp.**  
**Consolidated Statements of Cash Flows**  
**December 31, 2019 and 2018**  
(in thousands of U.S. dollars)

	Note	2019 \$'000	2018 \$'000
<b>Cash Flow From Operating Activities</b>			
<b>Net Income/(Loss)</b>		\$ (9,675)	\$ (7,846)
<b>Items not affecting cash</b>			
Depreciation of property, plant and equipment	22	1,844	4,512
Depreciation of mining rights	22	100	100
Share based payment expense	20	127	190
Asset retirement obligation	9	1,342	(712)
Write-down of inventory	7	2,368	8,881
Impairment of asset		1,996	690
Accretion expense	9	179	578
Deferred tax benefit/(expense)		298	(2,440)
		(1,421)	3,953
<b>Net change in non-cash working capital items</b>			
(Increase)/decrease in receivables		3,863	3,841
(Increase)/decrease in deferred tax assets		1,787	1,548
(Increase)/decrease in inventory		1,477	6,932
(Increase)/decrease in other financial assets		32	-
Increase/(decrease) in accounts payable and accrued liabilities		(3,116)	(4,094)
Increase/(decrease) in accounts payable and accrued liabilities with related parties		301	-
Increase/(decrease) in other long-term payables		(23)	(82)
Increase/(decrease) in transaction taxes payable		(126)	(329)
		4,195	7,816
<b>Net cash provided by/(used in) operating activities</b>		<b>2,774</b>	<b>11,769</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	12	(777)	(4,063)
Purchase of mineral property	8	(216)	(698)
Purchase of mining rights		-	(14,612)
Proceeds from disposal of property, plant and equipment		113	7,515
<b>Net cash provided by/(used in) investing activities</b>		<b>(880)</b>	<b>(11,858)</b>
<b>Cash Flow from Financing Activities</b>			
Bank indebtedness		2,608	7,877
Proceeds from loans		-	6,278
Proceeds from loans with related parties		8,515	-
Repayment of loans		(10,530)	(18,625)
<b>Net cash provided by/(used in) financing activities</b>		<b>593</b>	<b>(4,470)</b>
<b>Net Increase/(Decrease) in Cash</b>		<b>2,487</b>	<b>(4,559)</b>
<b>Effect of Foreign Exchange on Cash</b>		<b>(2,462)</b>	<b>3,934</b>
<b>Cash, Beginning of Year</b>		<b>660</b>	<b>1,285</b>
<b>Cash, End of the Year</b>		<b>\$ 685</b>	<b>\$ 660</b>
<b>Supplemental Non-Cash Information</b>			
Taxes paid		(126)	(329)
Interest paid		(416)	(634)
Change in value of investments		(28)	(13)

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



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**Patagonia Gold Corp.****Notes to Financial Statements**(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 26).

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 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	90	US\$	Production and Exploration Stage
Minera Minamalu S.A.	Argentina	100	US\$	Exploration Stage
Huemules S.A.	Argentina	100	US\$	Exploration Stage
Leleque Exploración S.A.	Argentina	100	US\$	Exploration Stage
Patagonia Gold Limited (formerly Patagonia Gold PLC)	UK	100	GBP\$	Holding
Minera Aquiline S.A.U.	Argentina	100	US\$	Exploration Stage
Patagonia Gold Canada Inc.	Canada	100	CAD\$	Holding
Patagonia Gold Chile S.C.M.	Chile	100	CH\$	Exploration Stage
Cerro Cazador S.A.	Argentina	100	US\$	Exploration Stage
Ganadera Patagonia S.R.L.	Argentina	100	US\$	Land Holding
1494716 Alberta Ltd.	Canada	100	CAD\$	Nominee Shareholder
Hunt Gold USA LLC	USA	100	US\$	Management Company

The Company’s activities include the exploration and production of minerals from properties in Argentina 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.

**2. Basis of presentation**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these 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 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 consolidated financial statements and estimates with significant risk of material adjustment in the current and following periods are discussed in Note 6.

### **3. Going Concern**

The accompanying 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 year ended December 31, 2019, the Company had net loss of \$9,675. As at December 31, 2019, the Company has negative working capital of \$22,484 and had an accumulated deficit of \$174,270. 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 year ending December 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 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**

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

#### *(a) Basis of measurement*

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

#### *(b) Consolidation*

The Company's consolidated financial statements consolidate the accounts of the Company and its subsidiaries. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

#### *(c) Foreign currency translation*

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

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

#### *(d) Financial instruments*

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

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

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

See Note 23 to the Consolidated Financial Statements for fair value disclosures.

*(e) Cash and equivalents*

Cash and equivalents include cash on hand, deposits held with banks and other liquid short-term investments with original maturities of three months or less. The Company has no cash equivalents for all periods presented.

*(f) Inventories*

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

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

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

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

*(g) Mineral properties and exploration and evaluation expenditures*

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

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

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

*(h) Mining rights*

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

*(i) Property, plant and equipment*

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

Repairs and maintenance costs are charged to these consolidated statement of operations and comprehensive income/(loss) during the period in which they are incurred.

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

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

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

*(j) Impairment of long-lived assets*

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is considered to exist if the total estimated undiscounted pre-tax future cash flows are less than the carrying amount of the asset. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of future cash flows from other asset groups. An impairment loss is measured by discounted estimated future cash flows and recorded by reducing the asset's carrying amount to fair value. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected gold and silver (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans.

Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization other than proven and probable reserves are included when determining the fair value of mine site asset groups at acquisition and, subsequently, in determining whether the assets are impaired. Estimates of recoverable minerals from exploration stage mineral interests are risk adjusted based on management's relative confidence in such materials. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those risk factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material could ultimately be mined economically. Assets classified as exploration potential have the highest level of risk that the carrying value of the asset can be ultimately realized, due to the still lower level of geological confidence and economic modeling.

During the year ended December 31, 2019, the Company performed an analysis of the San José Project in Uruguay and determined that the long-lived asset for the San José Project was impaired. A non-cash impairment charge of \$1,996 was recorded and allocated to mineral properties (see Note 8).

*(k) Asset retirement obligations*

Upon retirement of the Company's mineral properties, retirement costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset, which is depleted over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

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

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

*(l) Income taxes*

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

The Company operates in multiple jurisdictions which involves dealing with uncertainties and judgments in the application of complex tax regulations. The final taxes paid or recovered are dependent upon many factors including resolutions arising from federal and state audits. The Company changes its tax assets and liabilities in light of the changing facts and circumstances but due to the complexity of the uncertainties in the tax regulations, the ultimate tax liability or asset could be materially different from the Company's estimate recorded in the financial statements.

*(m) Share-based payments*

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

Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of the performance commitment date or performance completion date.

*(n) Earnings (loss) per share*

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

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

*(o) Revenue recognition*

The Company recognizes sales revenue in accordance with ASC 606 when it has satisfied the following criteria: identifiable contract, identifiable performance obligation, determinable transaction price, allocating the transaction price and satisfying performance obligations.

The Company produces doré and concentrate that is shipped to third-party refiners and smelters, respectively, for processing. The Company enters into contracts to sell its metal to third-party customers which may include the refiners and smelters that process the doré and concentrate. The Company's performance obligation in these transactions is generally the transfer of metal to the customer. In the case of doré shipments, the Company generally sells refined metal at market prices agreed upon by both parties. The Company also has the right, but not the obligation, to sell a portion of the anticipated refined metal in advance of being fully refined. When the Company sells refined metal or advanced metal, the performance obligation is satisfied when the metal is delivered to the customer. Revenue and Cost of Sales are recorded on a gross basis under these contracts at the time the performance obligation is satisfied.

*(p) Segment reporting*

In accordance with ASC 280, the management approach is used to identify operating segments. An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has identified its reportable segments on the

basis of their geographic location. As a result, the Company discloses information geographically based on the location of each of its operations and within Argentina on the basis of operating mines and projects under construction. No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

*(q) Highly inflationary economy*

The Company has operations in Argentina through its subsidiaries as disclosed in Note 1 and their functional currency has historically been the Argentine Peso. The Company monitors inflation rates in the countries it operates under ASC 830-10-45-12. An economy must be classified as highly inflationary when the cumulative three-year inflation rate exceeds 100%.

During the year ended December 31, 2018, the economic environment in Argentina experienced the acceleration of multiple local inflation indices, a three-year cumulative inflation rate of the local Argentine wholesale price index exceeding 100% in July 1, 2018, and the significant devaluation of the Argentine Peso.

As such, the Company has considered Argentina to be a highly inflationary economy. In accordance with ASC 830, beginning on July 1 the functional currency of the Company’s Argentinian subsidiaries was changed to the Company’s reporting currency (\$USD). The following table presents the application ASC 830-10 for a highly inflationary economy for the conversion of account balances:

<u>Non-monetary Assets and Liabilities</u>	<u>Monetary assets and Liabilities</u>	<u>Equity</u>
Translated at the balance of prior period end	Translated at the balance of prior period end	Remeasured using historical exchange rate

*(r) Business Combinations*

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, Business Combinations, by recognizing identifiable tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquired business at their fair values. The excess of the costs of the acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed is recorded as Goodwill. Acquisition related costs are expensed as incurred.

**5. Recent Accounting Pronouncements**

*Recently issued and adopted accounting pronouncements*

Leases

In February 2016, Accounting Standard Update (“ASU”) No. 2016-02 *Leases* was issued related to leases. The new guidance modifies the classification criteria and requires lessees to recognize the assets and liabilities arising from most leases on the balance sheet. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018 and early adoption is permitted. The Company has evaluated all contracts which could be classified as leases under the new standards and determined that any impact as a result of adoption would not be material.

*Recently issued but not yet 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 plan to adopt the new credit loss standard effective January 1, 2020. We do not expect the new credit loss standard to have a material effect on our financial position, results of operations or cash flows.

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. Critical accounting judgments and estimates**

### *(a) Significant judgments*

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

#### *Functional currency*

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

#### *Income taxes and taxes receivable*

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

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

The Company has accrued deferred income tax assets but may not be able to utilize part or all of these assets in the future. The Company only recognizes the expected future tax benefit from these assets if it is considered more likely than not that the tax benefit will be realized. Otherwise, a valuation allowance is applied against deferred tax assets that are not more likely than not to be utilized. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income, including application of existing tax laws in each jurisdiction, assumptions about future metals prices, the macroeconomic environment and results of the Company's operations. To the extent that future cash flows and taxable income differ significantly from estimates, the Company's ability to realize deferred tax assets could be impacted. Additionally, future changes in tax laws could limit the ability to obtain the future benefits represented by the deferred tax assets

#### *Title to mineral property interests*

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

#### *Highly inflationary economy*

The Company has designated Argentina as a highly inflationary economy in accordance with ASC 830, *Foreign Currency Matters*, and has therefore employed the use of the highly inflationary accounting. The determination of whether an economy is highly inflationary requires the Company to monitor, assess and calculate whether the three-year cumulative inflation rate exceeds 100%. The determination of whether an economy is highly inflationary requires the Company to make certain estimates and judgements, such as assessment of historic inflation rates and anticipation of future trends.

*(b) Use of estimates*

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

The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves, asset retirement obligations, inventories and the allocation of fair value to assets and liabilities assumed in connection with business combinations. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

*Mineral reserves*

The Company uses estimates and assumptions related to mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of production amortization calculations, environmental, reclamation and closure obligations and estimates of recoverable silver and gold in inventories. The Company relies on their technical personnel and independent mining consultants to determine the estimates of mineral reserves. Mineral reserve estimates are based upon engineering evaluations of samplings of drill holes and other openings.

*Business Combinations*

The acquisition method of accounting for business combinations in accordance with ASC 805 requires management to determine the fair value of assets acquired and liabilities assumed on the date of the acquisition. In determining and allocating the fair values of assets and liabilities in a business combination, the Company relies on appraisals, internal valuations based on discounted cash flow, historical experience and other reliable information available as of the date of the acquisition.

*Change in estimates*

During the year 2018, the Company conducted a review of its plant and buildings which resulted in changes in its expected use. It was determined that the renovation work performed in 2016 and 2017 on these assets was having greater success than originally anticipated in extending their useful life. Additionally, metallurgical studies performed throughout 2018 confirmed that the plant could be successfully used to process mineralized materials from other mineral properties of the Company. It is now expected that the useful life of these assets will be extended from an original estimate of 36 months in 2017 to 87 months from December 31, 2018. The changes to the useful life of these assets were adopted prospectively for the year ended December 31, 2018.

**7. Inventories**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
	<u>\$'000</u>	<u>\$'000</u>
Gold held on carbon	\$ 1,422	\$ 1,571
Silver and gold concentrate	157	-
Material stockpiles	-	2,996
Materials and supplies	1,768	1,719
	<u>\$ 3,347</u>	<u>\$ 6,286</u>



During the year ended December 31, 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 in these consolidated statements of operations and comprehensive income (loss).

## 8. Mineral properties

	Mining assets \$'000	Surface rights acquired \$'000	Total \$'000
<b>Cost</b>			
Balance at January 1, 2018	\$ 1,280	\$ 847	\$ 2,127
Additions	500	198	698
Exchange differences	-	(300)	(300)
Balance December 31, 2018	\$ 1,780	\$ 745	\$ 2,525
Reverse acquisition (Note 26)	6,830	1,035	7,865
Additions	216	-	216
Impairment	(1,996)	-	(1,996)
Balance December 31, 2019	\$ 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 has been recognized within mining assets at a cost of \$1,996 (2018: \$1,780). In December 2019, the Company announced the termination of its option agreement with Trilogy and in exchange has received common shares of Trilogy, that will result in PGP owning 42.5% of the then issued and outstanding shares of Trilogy. Owing to this during the year ended December 31, 2019 the Company has impaired \$1,996 of mining asset related to San José Project in Uruguay and is recorded in Operating expenses in the consolidated statements of operations and comprehensive income (loss).

### 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 December 31, 2019, this project has a carrying amount of \$Nil (2018 - \$Nil) on the consolidated balance sheet.

## 9. 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 which has been discounted using a credit-adjusted rate of 24.94% (2018 – 24.94%) and an inflation rate of 2.29% (2018 – 2.29%).

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

	December 31, 2019 \$'000	December 31, 2018 \$'000
Asset retirement obligation at beginning of year	\$ 552	\$ 686
Reverse acquisition (note 26)	739	-
Change in estimate	1,342	(712)
Accretion expense	179	578
Asset retirement obligation at end of year	\$ 2,812	\$ 552

## 10. Mining Rights

	Fomicruz Agreement \$'000	Minera Aquilina Argentina \$'000	Total \$'000
Balance at January 1, 2018	\$ 3,388	\$ -	\$ 3,388
Additions	-	14,612	14,612
Amortization	(100)	-	(100)
Exchange differences	-	(1,425)	(1,425)
Balance December 31, 2018	\$ 3,288	\$ 13,187	\$ 16,475
Amortization	(100)	-	(100)
Exchange differences	-	622	622
Balance December 31, 2019	\$ 3,188	\$ 13,809	\$ 16,997

### 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 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.

### **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.

### **11. 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 year ended December 31, 2019, the value of the short-term investments in equity decreased to \$8. The change in the fair value of \$3 for the year ended December 31, 2019 is recorded as other comprehensive loss in the Company’s 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 year ended December 31, 2019, the value of the bond increased to \$326. The change in the face value of the performance bond of \$25 for the year ended December 31, 2019 ended is recorded as other comprehensive income/(loss) in the Company’s 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 December 31, 2019, there are no restrictions on the performance bond.

## 12. 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, 2017	\$ 8,242	\$ 356	\$ 15,234	\$ 1,065	\$ 24,897
Additions	576	-	3,263	224	4,063
Disposals	-	-	(56)	-	(56)
Transfers	-	-	344	(344)	-
Foreign exchange difference	(2,917)	(126)	(5,327)	(379)	(8,749)
Balance at December 31, 2018	\$ 5,901	\$ 230	\$ 13,458	\$ 566	\$ 20,155
Reverse acquisition (Note 26)	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
<b>Accumulated depreciation</b>					
Balance at December 31, 2017	\$ 4,505	\$ 45	\$ 3,960	\$ -	\$ 8,510
Disposals	-	-	(41)	-	(41)
Depreciation for the year	2,849	4	1,659	-	4,512
Impairment	-	-	690	-	690
Foreign exchange difference	(1,593)	(16)	(1,385)	-	(2,994)
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
<b>Net book value</b>					
At December 31, 2018	\$ 140	\$ 197	\$ 8,575	\$ 566	\$ 9,478
At December 31, 2019	\$ 1,931	\$ 257	\$ 7,581	\$ 739	\$ 10,508

## 13. Receivables

	December 31, 2019 \$'000	December 31, 2018 \$'000
Receivable from sale	\$ 150	\$ -
Value added tax ("VAT") recoverable	880	3,843
Other receivables	486	1,080
<b>Total receivables</b>	<b>\$ 1,516</b>	<b>\$ 4,923</b>

## 14. Other Receivables

	December 31, 2019 \$'000	December 31, 2018 \$'000
Value added tax ("VAT") recoverable	\$ 1,226	\$ 1,097
Other receivables	2,588	1,975
<b>Total Other Receivables</b>	<b>\$ 3,814</b>	<b>\$ 3,072</b>

## 15. Bank indebtedness

As at December 31, 2019, the Company has bank indebtedness of \$14,989 (2018 – \$12,381) 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 December 31, 2019, 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.

## 16. Accounts payable and accrued liabilities

	December 31, 2019 \$'000	December 31, 2018 \$'000
Trade accounts payable and accrued liabilities	\$ 5,102	\$ 4,695
Income tax	-	462
Other accruals	890	1,524
Accounts payable to related parties (note 21)	6,717	246
<b>Total</b>	<b>\$ 12,709</b>	<b>\$ 6,927</b>

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

	December 31, 2019 \$'000	December 31, 2018 \$'000
Current portion of long-term debt (note 18)	\$ 200	\$ 37
Leases payable	134	393
Loans payable	-	9,672
<b>Total</b>	<b>\$ 334</b>	<b>\$ 10,102</b>

## 18. Long-term debt

	December 31, 2019 \$'000	December 31, 2018 \$'000
Loan to related party secured by a letter of guarantee from the Company, at 5% interest per annum, due 2021 (note 21)	\$ 7,908	\$ -
Loan to related party secured by assets of the Company payable 5.75% interest per annum, due 2022	512	711
Acquired in reverse acquisition. Unsecured loan payable to related party at 8% interest per annum, due 2022 (note 21 and 26)	990	-
Acquired in reverse acquisition. Unsecured loan payable to related party at 8% interest per annum, due 2021 (note 21 and 26)	826	-
Acquired in reverse acquisition. Unsecured loan payable to related party at 7% interest per annum, due 2021 (note 21 and 26)	1,038	-
Accrued interest on debt	946	-
	<b>\$ 12,220</b>	<b>\$ 711</b>
Less current portion	(200)	(37)
	<b>\$ 12,020</b>	<b>\$ 674</b>

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

<b>Year ending December 31,</b>	
<b>2020</b>	200
<b>2021</b>	9,546
<b>2022</b>	2,474

## 19. 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 year ended December 31, 2019, there were 7,650,000 stock options that were not included in the diluted earnings per share calculation as the shares would be antidilutive.

	December 31, 2019	December 31, 2018
Net income (loss) (\$'000)	\$ (9,675)	\$ (7,846)
Weighted average number of common shares outstanding – basic and diluted	282,306,312	254,387,482
Net income (loss) per share	\$ (0.03)	\$ (0.03)

## 20. Capital stock

### Authorized:

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

### Issued:

#### Common Shares

	Year ended December 31, 2019		Year ended December 31, 2018	
	Number	Amount \$'000	Number*	Amount \$'000
<b>Balance, beginning of year</b>	254,355,192	\$ 301	25,436,715,471	\$ 31,868
Share reorganization	-	-	(25,182,360,279)	(31,567)
Share issued in reverse acquisition (note 26)	63,588,798	2,287	-	-
<b>Balance, end of year</b>	317,943,990	\$ 2,588	254,355,192	\$ 301

\*The comparative share capital amounts for the year ended December 31, 2018 have been retroactively adjusted to reflect the legal capital of the Patagonia Gold Corp. (accounting acquiree). These amounts have been multiplied by 10.76 to reflect the shares issued to Patagonia Gold PLC in the reverse acquisition transaction.

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 of December 31, 2019, there were no preferred shares issued by the Company (2018 - nil).

### Share reorganization

On 9 May 2018, Patagonia Gold PLC undertook a capital reorganisation of the Company's existing ordinary share capital, reducing the number of existing ordinary shares in issue (the "Existing Ordinary Shares") by a factor of 100.

The capital reorganisation consisted of: the sub-division of each Existing Ordinary Share of £1 pence each into one Interim Ordinary Share of £0.01 pence and one Deferred Share of £0.99 pence; followed by the consolidation of every 100 Interim Ordinary Shares into one new ordinary share of £1 pence (the "New Ordinary Shares"); the sale of all fractional entitlements arising on consolidation; and the buy-back of all of the Company's Deferred Shares of £0.99 pence each and subsequent cancellation of these shares. As result of the capital reorganisation Patagonia Gold has in issue £254,355,192\* of New Ordinary Shares of £1 pence each in nominal value. The difference between the nominal value of the share capital prior to the capital reorganisation and the nominal value of share capital after it was recognised within a capital redemption reserve.

### 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 26).

## 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.

	December 31, 2019		December 31, 2018	
	Number of options	Weighted Average Price (CAD)	Number of options	Weighted Average Price (CAD)
Balance, beginning of year	1,706,830	\$ 13.896	171,808,000	\$ 0.139
After Share reorganization	-	\$ -	1,718,080	\$ 13.903
Granted	7,650,000	\$ 0.065	-	\$ -
Expiration of stock options	(1,706,830)	\$ 13.896	(11,250)	\$ 13.886
Balance, end of year	7,650,000	\$ 0.065	1,706,830	\$ 13.896

	Range of Exercise prices (CAD)	Number outstanding	Weighted average life (years)	Weighted average exercise price (CAD)	Number exercisable on December 31, 2018
<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 \$127 during the year. The fair value of the options were calculated using the Black-Scholes option pricing model and using the following assumptions:

	Year ended December 31, 2019
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 at 31 December 2019 as they expired without being exercised during the previous year at the end of their four-year term.

## 21. 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 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
Year ended December 31						As at December 31, 2019 and December 31, 2018	
						\$'000	\$'000
A company controlled by a director <sup>1</sup>	2019	-	-	-	-	6,374	-
- admin, office, and interest expenses	2018	-	-	-	-	-	-
A company controlled by a director	2019	346	7,908	33	-	227	8,163
- salaries and wages	2018	78	-	-	-	150	-
Directors	2019	337	-	317	-	116	-
- salaries and wages	2018	293	-	-	-	96	-
Director <sup>1</sup>	2019	-	347	-	-	-	3,545
-loans	2018	-	-	-	-	-	-

<sup>1</sup> Balances owed to related parties were acquired as part of the reverse acquisition (Note 18 and 26)

As at December 31, 2019, the Company has \$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.

## 22. Administrative expenses

	December 31, 2019	December 31, 2018
	\$'000	\$'000
General and administrative	\$ 4,183	\$ 3,466
Argentina statutory taxes	641	515
Professional fees	1,566	862
Operating leases	130	86
Directors' remuneration	259	251
Gain on sale of property, plant and equipment	(83)	(42)
Depreciation of property, plant and equipment	1,844	4,512
Depreciation allocated to inventory	(1,644)	(4,447)
Amortization of mining rights	100	100
Consulting fees	18	26
Net impairment of assets	-	689
Transaction taxes expenses (income)	248	(1)
<b>Total</b>	<b>\$ 7,262</b>	<b>\$ 6,017</b>



## 23. 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 December 31, 2019, there were no changes in the levels in comparison to December 31, 2018. The fair values of financial instruments are summarized as follows:

	December 31, 2019		December 31, 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial Assets</b>				
<i>Amortized cost</i>				
Cash (Level 1)	685	685	660	660
<i>Available for sale</i>				
Other financial assets (Level 1)	334	334	11	11
<i>Loans and receivables</i>				
Receivables and other receivable <sup>1</sup>	3,224	3,224	3,055	3,055
<b>Financial Liabilities</b>				
<i>Amortized cost</i>				
Bank indebtedness	14,989	14,989	12,381	12,381
Accounts payable and accrued liabilities	12,709	12,709	6,927	6,927
Loan payable and current portion of long-term debt	334	334	10,102	10,102
Long-term debt	13,026	12,020	674	674

<sup>1</sup> Amounts exclude value added tax ("VAT") recoverable of \$880 and \$3,843 as at December 31, 2019 and 2018 respectively. 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 December 31, 2019, the Company had two customers whose trade receivables of \$150 (2018 – \$225) 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 year ended December 31, 2019, the Company made sales of \$21,938 (2018 - \$47,441) 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. At December 31, 2019, the Company had total cash balances of \$685 (2018 - \$660) at financial institutions, where \$Nil (December 31, 2018- \$Nil) is in excess of federally insured limits.

#### **24. Non-controlling interest**

	<b>Amount</b>
	\$'000
Balance at December 31, 2017	\$ 407
Share of 2018 operating income/(loss)	(528)
Balance at December 31, 2018	(121)
Share of operating income/(loss)	(122)
Balance at December 31, 2019	\$ (243)

On October 14, 2011, Patagonia Gold PLC, PGSA and Fomicruz entered into the Fomicruz Agreement (Note 10). Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine on Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA. This amount has been recorded as an increase in the equity of PGSA and as mining rights. In these consolidated financial statements, the increase in equity of PGSA has been recorded as non-controlling interest.

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

#### **25. 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 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)

	Total Assets		Total liabilities	
	December 31,		December 31	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Argentina – Cap-Oeste	\$ 9,116	\$ 19,005	\$ 2,629	\$ 4,374
Argentina - Lomada	2,996	1,231	1,979	1,220
Argentina - Calcatreu	14,678	13,751	1,591	256
Argentina - Martha & La Josefina	12,106	-	5,475	-
Argentina and Chile	11,263	11,270	3,875	13,532
United Kingdom	177	1,951	20,240	11,333
North America	4,453	-	9,824	-
<b>Total</b>	<b>\$ 54,789</b>	<b>\$ 47,208</b>	<b>\$ 45,613</b>	<b>\$ 30,715</b>

## 26. 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>	\$	2,287
<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)
	\$	2,287

- (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).

The amount of Hunt's revenue and comprehensive loss included in the Company's consolidated income statement for the year ended December 31, 2019, and the revenue and comprehensive loss of the combined entity had the reverse acquisition date been January 1, 2019, and January 1, 2018, are as follows:

	<b>Revenue</b>		<b>Comprehensive</b>	
	<b>\$'000</b>		<b>Income (Loss)</b>	
	<b>\$'000</b>		<b>\$'000</b>	
Actual results of Hunt from July 24, 2019 to December 31, 2019	\$	2,286	\$	(1,650)
2019 combined results (had the reverse acquisition occurred on January 1, 2019)	\$	23,067	\$	(13,117)
2019 combined results (had the reverse acquisition occurred on January 1, 2018)	\$	23,067	\$	(11,606)
2018 combined results (had the reverse acquisition occurred on January 1, 2018)	\$	51,402	\$	(15,489)

## 27. 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.

## 28. Income Taxes

### (a) Income tax expense (benefit)

	December 31, 2019 \$'000	December 31, 2018 \$'000
<b>Current tax expense (benefit)</b>		
Current period	1,119	815
<b>Deferred tax expense (benefit)</b>		
Current period	(1,009)	(3,255)
Prior period tax adjustments	188	-
<b>Total income tax expense (benefit)</b>	<b>\$ 298</b>	<b>\$ (2,440)</b>

The actual income tax provision differs from the expected amount calculated by applying the Canadian parent corporate tax rate to income before tax. These differences result from the following:

	December 31, 2019 \$'000	December 31, 2018 \$'000
Income (loss) before tax	(9,377)	\$ (10,286)
Statutory income tax rate	25%	25%
Expected income tax (benefit)	\$ (2,344)	\$ (2,572)
Increase (decrease) resulting from:		
Non-taxable items	(242)	(200)
Change in valuation allowance	1,335	411
Tax rate changes, tax rate differences, and changes in tax legislation	1,361	(287)
Prior period tax adjustments	188	208
<b>Total income tax expense (benefit)</b>	<b>\$ 298</b>	<b>\$ (2,440)</b>

**(b) Components of deferred tax assets and liabilities**

	December 31, 2019 \$'000	December 31, 2018 \$'000
Deferred tax assets are attributable to the following:		
Property, Plant and equipment	982	1,343
Loss carryforwards	15,998	13,943
Other	1,587	770
Valuation allowance	(13,613)	(12,278)
<b>Deferred tax assets</b>	<b>\$ 4,954</b>	<b>\$ 3,778</b>
Set-off of tax	(355)	-
<b>Net deferred tax asset</b>	<b>4,599</b>	<b>3,778</b>

	December 31, 2019 \$'000	December 31, 2018 \$'000
Deferred tax liabilities are attributable to the following:		
Mineral properties	(2,668)	-
Long-term debt	(322)	-
Other	(58)	-
<b>Deferred tax liabilities</b>	<b>\$ (3,048)</b>	<b>\$ -</b>
Set-off of tax	355	-
<b>Net deferred tax liability</b>	<b>(2,693)</b>	<b>-</b>

**(c) Loss carryforwards**

The Company and its subsidiaries have tax loss carryforwards within the jurisdictions in which they operate. These loss carryforwards expire between 2023 and 2039:

	\$'000
2021	81
2022	3
2023	1,073
2024 and after	16,597
<b>Total unused non-capital losses</b>	<b>\$ 17,754</b>

**29. Subsequent Events***COVID-19*

Since 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.

#### *Subsidiaries Reorganization*

Following the year end Patagonia Gold Corp. ("Patagonia" or the "Company") has initiated a corporate reorganization (the "Reorganization"), which will result in Patagonia Gold SA ("PGSA") and Cerro Cazador SA ("CCSA") 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 5% 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.

#### *Lines of credit renewal*

Subsequent to December 31, 2019, the Company renewed the operating lines of credit at an interest rate of 1.8% and mature on January 31, 2021 (Note 15).

#### *Stock Options*

On August 14, 2020, the Company issued an aggregate of 9,600,000 stock options to the Company's directors, officers and certain members of senior management under the Company's stock option plan. All of the options are exercisable for a period of five years at a price of CAD \$0.16. The options vest in three (3) separate tranches on the first, second and third anniversary on the option grant date.

#### *Debt Conversion*

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.

## **ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A: 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 procedures 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 Annual Report on Form 10-K. 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. Internal control over financial reporting are 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 December 31, 2019. 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 December 31, 2019 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.

### Changes in Internal Control over Financial Reporting

On July 24, 2019, the Company and Patagonia Gold PLC (“PGP”) completed a reverse acquisition (or reverse takeover, the “RTO”). As a result of the RTO 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.

### ITEM 9B: OTHER INFORMATION

None.

## PART III

### ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names and positions of officers and directors:

Name	Age	Position	Position Held Since
Carlos J. Miguens <sup>(1)</sup>	71	Director	July 2019
Tim Hunt <sup>(1)(2)</sup>	68	Director	April 2010
Christopher van Tienhoven <sup>(4)</sup>	52	Chief Executive Officer and Director	July 2019
Cristian Lopez Saubidet <sup>(1)</sup>	46	Chief Financial Officer and Director	July 2019
Alexander Harper <sup>(1)</sup>	72	Director	July 2019
David Jarvis <sup>(1)</sup>	66	Director	July 2019
Leon Hardy <sup>(3)</sup>	67	Director	February 2020
Jorge Sanguin	59	Chief Operating Officer	January 2020

- (1) During the year ended December 31, 2019, following the reverse acquisition, the Company reorganized its executive management and board of directors and the above individuals were appointed to their respective positions effective July 22, 2019.
- (2) Mr. Hunt resigned as the President and Chief Executive Officer effective July 22, 2019 and continued his role as a director.
- (3) Mr. Hardy was appointed as Chief Operating Officer effective July 22, 2019 and resigned effective December 31, 2019. Mr. Hardy was appointed as Director effective February 18, 2020.
- (4) Mr. van Tienhoven was appointed as Chief Executive Officer effective July 22, 2019 and as Director effective February 18, 2020.

All officers identified above serve at the discretion of the Board and have consented to act as officers of the Company.

Set forth below is a brief description of the background and business experience of the executive officers and directors:

#### Carlos J. Miguens, Director

Carlos J. Miguens has extensive business experience in Latin America. He was President of Cerveceria & Malteria Quilmes, one of Argentina’s largest brewing companies for 11 years, until its sale to Ambev. He is the President of MB Holding S.A. and a Director of a number of other companies. Mr. Miguens is a co-founder and Vice-President of A.E.A. (Asociación Empresaria Argentina). He has been the President of Patagonia Gold S.A. since its inception.

**Tim Hunt**, Director

Mr. Hunt is founder and president of Huntwood Industries, one of the largest building products manufacturers in the Western United States. Tim Hunt has led the development of Huntwood Industries for the past three (3) decades, taking the business from a start-up venture to a significant middle-market enterprise responsible for over \$2 billion in sales. Mr. Hunt continues to be the president of Huntwood Industries. Mr. Hunt previously spent time as an investment broker, cultivating lasting alliances in the mining and investment communities and has been involved in the mining sector for over 30 years, including those as founder of Hunt Mining, which has been active in Argentina for 14 years. Mr. Hunt was Chairman and CEO of Hunt Mining until late July 2019 when the reverse acquisition with Patagonia Gold Plc took place. After the reverse acquisition, Mr. Hunt continues to serve as a Director of the resulting Company.

**Christopher van Tienhoven**, Director and CEO

During his 25 years' experience in the mining industry, Mr. van Tienhoven worked for the majority of his career with the Anglo American group in various countries, culminating as Country Manager and President of Anglo Gold Ashanti's Cerro Vanguardia mine. In 2008 he joined Andean Resources Limited as Country Manager and Vice President for Argentina until 2010, when its main project Cerro Negro was sold to Goldcorp Inc. Before joining Patagonia Gold Plc, Mr. van Tienhoven had been dedicated to merger and acquisition opportunities in the junior mining sector in Latin America including Argentina, Colombia, Peru and Guatemala. Mr. van Tienhoven was appointed as a Director of Patagonia Gold Plc's on June 10, 2015. After the reverse acquisition, Mr. van Tienhoven was appointed as CEO of the resulting Company in late July 2019 and as Director in February 2020. Mr. van Tienhoven has a degree in Economics from the Wharton School, University of Pennsylvania.

**Cristian Lopez Saubidet**, Director and CFO

Mr. Christian Lopez Saubidet has 18 years of experience in Finance and Strategy. He has been involved with Patagonia Gold Plc since 2008, as Vice President of Patagonia Gold S.A. and other subsidiaries of Patagonia Gold Plc. He also serves on the Boards of Central Puerto SA and San Miguel S.A., both listed companies on the Buenos Aires Stock Exchange. Between 2005 and 2008 he was VP Strategy and Analytics in HSBC's Consumer Lending Division in the United States of America. Between 1998 and 2005 he worked as a Management Consultant for McKinsey & Co. in Buenos Aires, Pittsburgh and Chicago. He holds an MBA from the Anderson School at University of California, Los Angeles and a degree in Industrial Engineering from the Instituto Tecnológico de Buenos Aires. It is expected that Mr. Saubidet will dedicate approximately 50% of his time to his role as CFO and such services shall be provided as an independent contractor. Mr. Saubidet was appointed as Director and CFO of the Company in late July 2019. It is expected that Mr. Saubidet will dedicate approximately 50% of his time to his role as CFO and such services shall be provided as an independent contractor.

**Alexander Harper**, Director

Alexander (Sandy) Harper started out at Merrill Lynch in London in the 1970s. He has since successfully been an independent international commodity trader, investor and consultant with long experience of doing business in the UK, Europe, USA, Latin America and West Africa. Mr. Harper is currently based in Argentina. Mr. Harper was educated at Winchester College, Hampshire, UK.

**David Jarvis**, Director

David Jarvis is a mining operations executive with broad experience in the Americas and East and Central Asia. He has a Bachelor of Science degree in Mining Engineering, and has worked as Superintendent, Mine Water Management for Newmont Gold, Mine Manager for Kumtor Operating Co., Centerra Gold, Kyrgyzstan, Production Manager, Nome Alaska for NovaGold Resources Inc., and Vice-President and General Manager for Coeur Mexicana, SA de C.V. Since September 2015, Mr. Jarvis has been the Principal at Jarvis Mineral Services providing consulting services in Central Asia, North and South America.

**Leon Hardy**, Director

Mr. Hardy was COO and Senior Vice-President for Coeur Mining Inc. (CDE:NYSE) from 2008 to 2012 and Vice President and General Manager of Coeur Argentina based in Argentina while at Mina Martha from 2003 to 2008. Mr. Hardy has over 40 years of technical and operational experience which includes 12 years in Latin America. Mr. Hardy holds a Bachelor of Science in Geological Engineering from the University of Arizona, and is a registered professional engineer. Mr. Hardy

resided in Argentina for 5 years, while being the general manager of the Martha Mine and was instrumental from the initial start-up thru the 240 TPD Mill construction and subsequent full-scale operations. Mr. Hardy has operational, cost control, due diligence, strategic mine planning, and feasibility studies experience, and maintains strong political relationships with regional emphasis in Argentina. Upon retirement from Coeur Mining in January 2013, Mr. Hardy assumed various consulting roles which included, President and CEO of Rockstar Resources from 2013 to 2014, Managing Director and COO of Hunt Mining from 2015 to 2018, and Interim COO of the Company in 2019. Mr. Hardy became Director of the Company in February 2020.

#### **Jorge Sanguin, COO**

Mr. Sanguin is an Argentine national with over 26 years' experience in the mining sector. He holds a mining engineering degree from the University of San Juan. Mr. Sanguin has held key positions in a number of mining operations in Argentina, including Mining Manager at Manantial Espejo (Pan American Silver), President and General Manager and Board member of Cerro Vanguardia (AngloGold Ashanti) from November 2014 to May 2017; and he was the General Manager of Cerro Moro (Yamana) until February 2019. Mr. Sanguin became COO of the Company effective January 1, 2020.

### **COMMITTEES OF THE BOARD OF DIRECTORS**

The Company has a separately-designated audit committee of the board. The audit committee is responsible for: (1) selection and oversight of the independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditors and any outside advisors engagement by the audit committee. A copy of the Company's audit committee charter is filed as an exhibit to this report. The Audit Committee for Patagonia Gold, Corp consists of Mr. Tim Hunt, Mr. David Jarvis and Mr. Alexander Harper. The Audit Committee has no financial expert. The Company believes the cost related to retaining a financial expert at this time is prohibitive.

The Company also has a Compensation Committee. This committee acts on behalf of the board of directors to approve compensation arrangements for management and review the compensation paid to the board of directors. A copy of the Company's compensation committee charter is filed as an Exhibit to this report. The Compensation Committee for Patagonia Gold Corp. consists of Mr. Carlos J. Miguens, Mr. David Jarvis and Mr. Alexander Harper.

### **Corporate Governance Guidelines and Code of Business Conduct and Ethics**

All the Company's directors, officers and employees are required to comply with the Company's Code of Business Conduct and Ethics (the "Code"). The purpose of these corporate policies is to ensure to the greatest possible extent that business is conducted in a consistently legal and ethical manner.

The Code is designed to promote the following objectives:

- Honest and ethical conduct, including ethical interactions with government officials and the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, understandable and transparent disclosure in periodic reports and documents required to be filed by the Company and in other public communications made by the Company;
- Compliance with the applicable exchange, government and self-regulatory organization laws, rules and regulations;
- Prompt internal reporting of Code violations; and
- Accountability for compliance with the Code.

The text of the Code is available on the Company's website ([www.patagoniagold.com](http://www.patagoniagold.com)). The Company intends to disclose on its website any amendment to, or waiver from, a provision of policies as required by law.

There were no material changes to the procedures by which security holders may recommend nominees to the Company's board of directors.

## **Compliance with Section 16(a) Of the Securities Exchange Act of 1934**

The Company is not required to comply with Section 16(a) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") since the Company does not have any securities registered with the SEC under Section 12 of the Exchange Act.

## **ITEM 11: EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

The Compensation Committee is currently comprised of Carlos J. Miguens (not independent as the Board does not consider him to be free from any direct or indirect "material relationship" with the Company since he is a significant Shareholder), David Jarvis (independent) and Alexander (Sandy) Harper (independent). The role of the Compensation Committee is, in part, to assist the Board in approving and monitoring the Company's practices with respect to compensation. The Compensation Committee members have extensive experience in the mining sector. Compensation of Directors and the CEO. The chair of the Board, the Compensation Committee and the CEO have the responsibility for determining compensation for the CEO. To determine compensation payable to directors, the chair of the Board, the Compensation Committee, the CEO and the CFO review compensation paid for directors of companies of similar size and stage of development in the mineral exploration industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors while taking into account the financial and other resources of the Company.

In setting the compensation of senior management, the Compensation Committee and the CEO review performance in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

The Board is confident that the collective experience of the Compensation Committee members ensures that the Compensation Committee has the knowledge and experience to execute its mandate effectively and to make executive compensation decisions in the best interests of the Company.

#### ***Compensation Risk***

The Board considers that the Corporation's compensation philosophy is aligned with prudent risk management and does not encourage the Named Executive Officers ("NEO") to take inappropriate or excessive risks.

The Corporation does not prohibit named executive officers or directors from purchasing financial instruments such as variable forward contracts or equity swaps, collars, or units of exchange funds, or other financial instruments designed to hedge or offset a decrease in market value of securities granted as compensation held, directly or indirectly, by a NEO or director. However, neither the Board nor executive management is aware that any such individual has in the past bought or currently holds such instruments.

During the year ended December 31, 2019, the Corporation had the following six (6) NEOs:

1. Ken Atwood, former Chief Financial Officer
2. Robert Little, former Chief Administration Officer and Secretary
3. Leon Hardy, Chief Operating Officer
4. Tim Hunt, former Chief Executive Officer
5. Christopher van Tienhoven, Chief Executive Officer
6. Cristian Lopez Saubidet, Chief Financial Officer

#### **Elements of the Compensation Program**

The three elements of the Corporation's compensation program during the financial years ended December 31, 2019 are (i) base salary and benefits, and (ii) an incentive stock option plan and (iii) incentive cash bonus. Each item of the compensation program is discussed below.

### ***Base Salaries and Benefits***

Salaries of executive officers are based on informal discussions and analysis by the Board of Directors. The Board of Directors has not used any formula in the determination of executive salaries. Base salaries are paid at levels that reward executive officers for ongoing performance and that enable the Corporation to attract and retain qualified executives with a demonstrated ability to maximize shareholder value. Base pay is a critical element of compensation program because it motivates the NEOs with stability and predictability, which allows the NEOs to focus their attention on maximizing shareholder value and other business initiatives. Although the Corporation has no specific formula for determining base salary, the Corporation may consider the following factors, among others: the executive's current base salary, qualifications and experience, industry knowledge, scope of responsibilities, past performance and length of service with the Corporation. The Corporation does not apply a specific weighting to any of the above factors. The Compensation Committee has not established formal periodic compensation review procedures; however, salaries and other elements of executive compensation will be reviewed periodically by the Compensation Committee and the Board of Directors.

The Corporation does not provide pension or retirement benefits to any of its executive officers.

### ***Incentive Stock Option Plan***

The Corporation has in place the Stock Option Plan which provides that the Board may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers, employees and technical consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Corporation.

The number of stock options allocated to executive officers and directors will be determined by the Compensation Committee on a case by case basis. The Corporation has not adopted formal formula or formal procedures to determine stock option allocation to executives and directors. Previous grants of stock options are taken into consideration when new option grants are contemplated. The grant of stock options is used to, among other things, attract, motivate, and retain qualified executive officers and directors by providing them with long-term incentives that will encourage them to add value to the Corporation. Stock options also serve to align executives' and directors' long-term interests with those of shareholders.

### ***Incentive Cash Bonus***

Incentive cash bonuses of executive officers are based on informal discussions and analysis by the Compensation Committee, which are then recommended to the Board of Directors for approval. The Board of Directors has not used any formula in the determination of Incentive cash bonuses. Bonuses are paid at levels that reward executive officers for ongoing performance and that enable the Corporation to retain qualified executives with a demonstrated ability to maximize shareholder value.

## SUMMARY COMPENSATION TABLE

The following table sets forth all annual and long-term compensation in US dollars for services in all capacities to the Corporation for each of the years ended December 31, 2019 and 2018 in respect of the Named Executive Officers:

Officers Compensation Table		Salary	Bonus	Stock Awards	Option Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation	Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
Name and Principal Position	Year	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
Ken Atwood <sup>(2)</sup>	2019	65,077	-	-	-	-	-	33,000 <sup>(3)</sup>	98,077
<i>Former CFO</i>	2018	135,000	-	-	-	-	-	-	135,000
Robert Little <sup>(4)</sup>	2019	84,228	-	-	-	-	-	-	84,228
<i>Former Chief Administration Officer and Secretary</i>	2018	135,000	-	-	-	-	-	-	135,000
Leon Hardy <sup>(5)</sup>	2019	-	-	-	43,000	-	-	32,500 <sup>(6)</sup>	75,500
<i>COO</i>	2018	52,407	-	-	-	-	-	-	52,407
Tim Hunt <sup>(7)</sup>	2019	-	-	-	-	-	-	49,000 <sup>(8)</sup>	49,000
<i>Former President and CEO</i>	2018	-	-	-	-	-	-	-	-
Christopher van Tienhoven <sup>(9)</sup>	2019	82,600	54,800	-	86,000	-	-	-	223,400
<i>CEO</i>	2018	-	-	-	-	-	-	-	-
Cristian Lopez-Saubidet <sup>(10)</sup>	2019	-	-	-	43,000	-	-	49,000 <sup>(11)</sup>	92,000
<i>CFO and Director</i>	2018	-	-	-	-	-	-	-	-

(1) On September 25, 2019, the Company granted stock options with an exercise price of CAD \$0.065 and maturity date of September 25, 2024. The stock options vest one year after the date of grant. The value of the stock options was calculated using the Black-Scholes option pricing model 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

Mr. Hardy was granted 500,000 stock options in his capacity as the former Chief Operating Officer.  
 Mr. van Tienhoven was granted 1,000,000 stock options in his capacity as the Chief Executive Officer.  
 Mr. Saubidet was granted 500,000 stock options in his capacity as the Chief Financial Officer.

(2) Mr. Atwood served as the Chief Financial Officer of the Company from May 11, 2018 until July 22, 2019.

(3) Mr. Little served as the Chief Administration Officer and Secretary of the Company until July 22, 2019.

(4) Fees paid pursuant to termination agreement.

(5) Mr. Hardy served as Chief Operating Officer from July 22, 2019 until December 31, 2019. Mr. Hardy resigned effective December 31, 2019.

(6) Fees paid as an independent contractor in respect of COO services provided from July 22, 2019 until December 31, 2019.

(7) Mr. Hunt served as Chief Executive Officer and President of the Company from January 1, 2014 until July 22, 2019.

(8) Mr. Hunt was paid \$6,000 in fees and granted 500,000 stock options in stock options for serving in his capacity as a Director. The stock options have an exercise price of CAD \$0.065 and a maturity date of September 25, 2024. The stock options vest one year after the date of grant. The value of the stock options was estimated to be \$43,000 using the Black-Scholes option pricing model.

(9) Mr. van Tienhoven was appointed as Chief Executive Officer of the Company on July 22, 2019.

(10) Mr. Saubidet was appointed Chief Financial Officer and Director of the Company on July 22, 2019.

(11) Mr. Saubidet was paid \$6,000 in fees and granted 500,000 stock options in stock options for serving in his capacity as a Director. The stock options have an exercise price of CAD \$0.065 and a maturity date of September 25, 2024. The stock options vest one year after the date of grant. The value of the stock options was estimated to be \$43,000 using the Black-Scholes option pricing model.



## DIRECTOR'S COMPENSATION TABLE

The following table sets forth the total compensation earned by each director during the year ended December 31, 2019:

Director's Compensation Table		Fees Earned or Paid in Cash (US\$)	Stock Awards (US\$)	Option Awards <sup>(1)</sup> (US\$)	Non-Equity Incentive Plan Compensation (US\$)	Non-qualified Deferred Compensation Earnings (US\$)	All Other Compensation (US\$)	Total (US\$)
Name	Year							
Carlos J. Miguens <sup>(2)</sup>	2019	6,000	-	43,000	-	-	-	49,000
Tim Hunt	2019	6,000	-	43,000	-	-	-	49,000
Cristian Lopez Saubidet <sup>(3)</sup>	2019	6,000	-	43,000	-	-	-	49,000
Alexander Harper <sup>(4)</sup>	2019	6,000	-	43,000	-	-	-	49,000
David Jarvis <sup>(5)</sup>	2019	6,000	-	43,000	-	-	-	49,000
Alan Chan <sup>(6)</sup>	2019	-	-	-	-	-	-	-
Darrick Hunt <sup>(7)</sup>	2019	-	-	-	-	-	-	-
Alastair Summers <sup>(8)</sup>	2019	-	-	-	-	-	-	-

(1) On September 25, 2019, the Company granted stock options with an exercise price of CAD \$0.065 and a maturity date of September 25, 2024. The stock options vest one year after the date of grant. The value of the stock options was calculated using the Black-Scholes option pricing model 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

Mr. Miguens was granted 500,00 stock options in his capacity as a Director.  
 Mr. Hunt was granted 500,000 stock options in his capacity as a Director.  
 Mr. Saubidet was granted 500,000 stock options in his capacity as a Director.  
 Mr. Harper was granted 500,000 stock options in his capacity as a Director.  
 Mr. Jarvis was granted 500,000 stock options in his capacity as a Director.

- (2) Mr. Miguens was appointed as a Director of the Company effective July 22, 2019.  
 (3) Mr. Saubidet was appointed as a Director of the Company effective July 22, 2019.  
 (4) Mr. Harper was appointed as a Director of the Company effective July 22, 2019.  
 (5) Mr. Jarvis was appointed as a Director of the Company effective July 22, 2019.  
 (6) Mr. Chan resigned as a Director on July 22, 2019.  
 (7) Mr. Hunt resigned as a Director on July 22, 2019.  
 (8) Mr. Summers resigned as a Director on July 22, 2019.

## INCENTIVE PLAN AWARDS

### Outstanding Option-based Awards and Share-based Awards

The following table shows all option-based awards and share-based awards outstanding to be exercised in Canadian dollars to each Named Executive Officer as of December 31, 2019:

Name	Option-based Awards					Share-based Awards		
	Number of securities underlying unexercised options (#) exercisable.	Number of securities underlying unexercised options (#) unexercisable. (1)	Equity incentive plan awards: Number of securities underlying unexercised options (#)	Option exercise price (CAD \$)	Option expiration date	Number of shares or units that have not vested (#)	Market value of shares of stock that have not vested (\$)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Ken Atwood	-	-	-	-	-	-	-	-
Robert Little	-	-	-	-	-	-	-	-
Leon Hardy	-	500,000	-	0.065	09/25/2024	-	-	-
Tim Hunt	-	500,000	-	0.065	09/25/2024	-	-	-
Christopher van Tienhoven	-	1,000,000	-	0.065	09/25/2024	-	-	-
Cristian Lopez Saubidet	-	1,000,000	-	0.065	09/25/2024	-	-	-
<b>TOTAL</b>	-	<b>3,000,000</b>	-	<b>0.065</b>		-	-	-

(1) Options that expire September 25, 2024 have not vested as of December 31, 2019 and will fully vest on September 25, 2020 (one year after the grant date).

### Incentive Plan Awards – Value Vested or Earned

The company has granted an aggregate of 5,000,000 incentive stock options under the Company's stock option plan (the "Stock Option Plan") to the directors of the Company and 12,250,000 incentive stock options to members of senior management and certain other officers of the Company as part of a long term incentive plan (the "Option Grant").

On September 26, 2019, the Company issued 7,650,000 stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024. These stock options vested on first anniversary of the grant date.

On August 14, 2020 the Company issued 9,600,000 stock options with an exercise price of CAD\$0.16 and maturity date of August 13, 2025. These stock options vest evenly on each of the first, second and third anniversary of the grant date.

The Option Plan allows for the issuance of up to 10% of the issued and outstanding share capital of the Company in the form of incentive stock options. As of the date hereof, a total of 361,829,267 common shares of the Company are issued and outstanding and the Option Grant represents approximately 4.77% of the issued and outstanding share capital.

The Option Grant represents all of the incentive stock options that are currently outstanding as all previously granted stock options were cancelled or have now lapsed as a result of the reverse take-over of Hunt Mining Corp. by Patagonia Gold Plc.

## ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of common stock as of October 30, 2020 by (i) each director, (ii) each officer named in the Summary Compensation Table, (iii) each person who is known by us to be the beneficial owner of more than five percent of the Company's outstanding common stock, and (iv) all directors and executive officers as a group. Except as otherwise indicated below, each person named has sole voting and investment power with respect to the shares indicated. The percentage of ownership set forth below reflects each holder's ownership interest in the 361,829,267 shares of the common stock outstanding as of November 17, 2020.

## Amount and Nature of Beneficial Ownership

Name and Address of Beneficial Owner	Shares	Percent
Carlos J. Miguens <sup>(1)</sup>	137,619,857	38.03%
Tim Hunt <sup>(2)</sup>	98,193,902	27.14%

(1) Shares reported include 500,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

(2) 94,562,005 of these shares are owned by Hunt Family Limited Partnership, an entity controlled by Mr. Hunt, 3,285,197 shares are owned directly by Mr. Hunt and 346,700 shares are owned by Mr. Hunt's spouse. The shares owned directly by Mr. Hunt include 500,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

### LIST OFFICERS AND DIRECTORS

Name and Address of Beneficial Owner	Shares	Percent
Carlos J. Miguens <sup>(1)</sup>	137,619,857	38.03%
Tim Hunt <sup>(2)</sup>	98,193,902	27.14%
Christopher van Tienhoven <sup>(1)</sup>	845,822	*
Cristian Lopez Saubidet <sup>(3)</sup>	1,000,000	*
David Jarvis <sup>(1)</sup>	500,000	*
Alexander Harper <sup>(1)</sup>	2,222,622	*
Leon Hardy <sup>(1)</sup>	635,000	*
Jorge Sanguin <sup>(4)</sup>	-	*
All current executive officers and directors as a group (8 persons) <sup>(5)</sup>	241,817,203	66.83%

\* Holding constitutes less than 1% of the outstanding shares.

(1) Shares reported include 500,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

(2) 94,562,005 of these shares are owned by Hunt Family Limited Partnership, an entity controlled by Mr. Hunt, 3,285,197 shares are owned directly by Mr. Hunt and 346,700 shares are owned by Mr. Hunt's spouse. The shares owned directly by Mr. Hunt include 500,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

(3) Shares reported include 1,000,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

(4) Shares reported include 800,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

(5) Shares reported include 4,800,000 vested stock options with an exercise price of CAD\$0.065 and maturity date of September 25, 2024.

## ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

### Related Transactions (\$'000)

*Cantomi Uruguay S.A. ("Cantomi Uruguay") and Agropecuaria Cantomi S.A. ("Agropecuaria Cantomi")*

Cantomi Uruguay and Agropecuaria Cantomi are owned and controlled by the Company's Director Carlos J. Miguens.

During the year ended December 31, 2018, the Company incurred \$110 in rent expense from Agropecuaria Cantomi. As of December 31, 2018, the Company owes \$150 in rent payable to Agropecuaria Cantomi.

In February 2019, Cantomi Uruguay 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. The loan facility has an interest rate of 5% and matures on March 31, 2021.

During the year ended December 31, 2019, the Company incurred interest expense of \$255 on the loan facility. As of December 31, 2019, the Company owes \$8,163 (\$7,908 in principal and \$255 in interest) to Cantomi Uruguay under the loan facility. The largest principal balance outstanding during the year ended December 31, 2019 was \$7,908.

During the year ended December 31, 2019, the Company incurred \$110 in rent expense from Agropecuaria Cantomi. As of December 31, 2019, the Company owes \$227 in rent payable to Agropecuaria Cantomi.

As of October 30, 2020, the Company owes \$13,967 (\$13,232 in principal and \$735 in interest) to Cantomi Uruguay under the loan facility.

### *Tim Hunt*

Mr. Hunt is the Company's second largest shareholder and has provided loans and advances to the Company to fund its operations. These loans and advances have been provided by Mr. Hunt personally and through entities controlled by Mr. Hunt. Mr. Hunt controls Huntwood Industries ("Huntwood") and Hunt Family Limited Partnership ("Hunt FLP").

The loans from Mr. Hunt have an interest rate of 7% and 8% and mature between January 1, 2021 and May 9, 2022. The loans from Huntwood and Hunt FLP have an interest rate of 7% and are repayable on demand.

During the year ended December 31, 2018, the following transactions occurred:

- The Company incurred \$203 in rent, office and other administration expenses from Huntwood.
- The Company received an additional \$2,391 in loans from Mr. Hunt and incurred interest expense of \$255. The Company repaid \$962 in principal and paid \$46 in interest to Mr. Hunt.
- The Company incurred interest expense of \$212 on the advances from Hunt FLP.

As of December 31, 2018, the following amounts are outstanding:

- The Company owes \$966 (\$966 in principal and \$Nil in interest) to Huntwood for expenses payable.
- The Company owes \$4,220 (\$3,860 in principal and \$360 in interest) to Mr. Hunt under the loan arrangements.
- The Company owes \$3,007 (\$2,521 in principal and \$486 in interest) to Hunt FLP for funds advanced to the Company.

In aggregate, as of December 31, 2018, the Company owes \$8,193 (\$7,347 in principal and \$846 in interest) to Mr. Hunt and the related entities. The highest aggregate principal balance outstanding during the year ended December 31, 2018 was \$7,552.

During the year ended December 31, 2019, the following transactions occurred:

- The Company incurred \$114 in rent, office and other administration expenses and \$5 in interest expense from Huntwood.
- The Company incurred interest expense of \$333 on the loans from Mr. Hunt.
- The Company incurred interest expense of \$359 on the advances from Hunt FLP.

As of December 31, 2019, the following amounts are outstanding:

- The Company owes \$1,084 (\$1,079 in principal and \$5 in interest) to Huntwood for expenses payable.
- The Company owes \$4,553 (\$3,860 in principal and \$693 in interest) to Mr. Hunt under the loan arrangements.
- The Company owes \$5,206 (\$4,361 in principal and \$845 in interest) to Hunt FLP for funds advanced to the Company.

In aggregate, as of December 31, 2019, the Company owes \$10,843 (\$9,300 in principal and \$1,543 in interest) to Mr. Hunt and the related entities. The aggregate highest principal balance outstanding during the year ended December 31, 2019 was \$9,300.

On October 30, 2020, the Company entered into an agreement with Mr. Hunt and the related entities 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 Mr. Hunt and the related entities is expected to be settled in full by December 10, 2020 by a cash payment of \$720 plus 7% accrued interest.

### **Director Independence**

The Company's Board of Directors consists of seven directors, two of whom are considered to be independent. Alexander Harper and David Jarvis are independent. Carlos J. Miguens is not an independent director as he is a significant shareholder. Tim Hunt is not independent as he was the former President and Chief Executive Officer and is also a significant shareholder. Cristian Lopez Saubidet is not independent as he is the current Chief Financial Officer. Christopher van Tienhoven is not independent as he is the current Chief Executive Officer. Leon Hardy is not independent as he was the former Chief Operating Officer.

**ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES**

***Audit Fees***

The following table sets forth the aggregate fees billed to the Company by Grant Thornton LLP and its associates during the year ended December 31, 2019 and by Davidson & Company LLP, Abelovich, Polano & Asociados S.R.L and GHP Horwath, P.C. during the year ended December 31, 2018.

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit fees	\$198	\$113
Tax fees <sup>(1)</sup>	11	27
<b>Total</b>	<b>209</b>	<b>140</b>

*Notes:*

*(1) Fees for the preparation of the Corporation's tax returns.*

**PART IV**

**ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

Exhibit Number	Document Description	Incorporated by reference			Filed herewith
		Form	Date	Number	
2.1	The Scheme of Arrangement between Patagonia Gold Plc and Hunt Mining Corp.				X
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 Timothy R. Hunt dated January 1, 2012	F-1/A-3	03/28/14	10.5	
10.5	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	
10.6	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	
10.7	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	
10.8	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	
10.9	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 Business Conduct and Ethics				X
23.1	Consent of Donald J. Birak				X
23.2	Consent of Independent Registered Public Accounting Firm				X
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
99.1	Stock Option Plan	F-1/A-2	12/20/12	99.1	
99.2	Audit Committee Charter				X
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 17<sup>th</sup> day of November, 2020.

**PATAGONIA GOLD CORP.**

BY: /s/ "Christopher van Tienhoven"

Christopher Van Tienhoven

Chief Executive 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.

<b><i>Signature</i></b>	<b><i>Title</i></b>	<b><i>Date</i></b>
<u>/s/ "Christopher van Tienhoven"</u> Christopher van Tienhoven	Director, Chief Executive Officer (Principal Executive Officer)	November 17, 2020
<u>/s/ "Cristian Lopez Saubidet"</u> Cristian Lopez Saubidet	Director, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 17, 2020
<u>/s/ "Carlos J. Miguens"</u> Carlos J. Miguens	Director	November 17, 2020
<u>/s/ "Tim Hunt"</u> Tim Hunt	Director	November 17, 2020
<u>/s/ "Alexander Harper"</u> Alexander Harper	Director	November 17, 2020
<u>David Jarvis</u>	Director	November 17, 2020
<u>/s/ "Leon Hardy"</u> Leon Hardy	Director	November 17, 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 Annual Report on Form 10-K 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 fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (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: November 17, 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 Annual Report on Form 10-K 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:
  - e) 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;
  - f) 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;
  - g) 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
  - h) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - c) 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
  - d) 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: November 17, 2020

By: /s/ "Cristian Lopez 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 Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (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: November 17, 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 Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (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: November 17, 2020

By: /s/ “Cristian Lopez Saubidet”  
Name: Cristian Lopez Saubidet  
Title: Chief Financial Officer