



## **Patagonia Gold Corp.**

**Condensed Interim Consolidated Financial Statements (Unaudited)**

**For the Three and Nine Months Ended September 30, 2023 and 2022**

**(All amounts in thousands of United States Dollars unless otherwise stated)**

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### **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**

Unaudited – See Notice to Reader  
(Stated in thousands of U.S. dollars)

	Note	September 30, 2023	December 31, 2022
<b>Current assets</b>			
Cash		\$ 358	\$ 231
Receivables	11	826	2,021
Inventories	5	3,918	4,653
Total current assets		5,102	6,905
<b>Non-current assets</b>			
Mineral properties	6	14,786	14,893
Mining rights	8	16,052	16,163
Property, plant and equipment	10	9,644	10,644
Goodwill		4,009	4,009
Other financial assets	9	5	9
Other receivables	12	824	1,671
Total non-current assets		45,320	47,389
Total assets		\$ 50,422	\$ 54,294
<b>Current liabilities</b>			
Bank indebtedness	13	-	8,945
Accounts payable and accrued liabilities	14	2,823	5,953
Accounts payable with related parties	14, 18	283	285
Current portion of long-term debt	15	211	386
Total current liabilities		3,317	15,569
<b>Non-current liabilities</b>			
Long-term debt	15	35,360	20,019
Reclamation and remediation obligations	7	3,806	4,069
Deferred tax liabilities		2,631	1,837
Total non-current liabilities		41,797	25,925
Total liabilities		45,114	41,494
<b>Shareholders' equity</b>			
Capital stock	17	11,294	11,244
Contributed surplus		190,162	190,026
Accumulated deficit		(213,589)	(205,926)
Accumulated other comprehensive income		19,165	18,960
Total shareholders' equity attributable to the parent		7,032	14,304
Non-controlling interest		(1,724)	(1,504)
Total shareholders' equity		5,308	12,800
Total liabilities and shareholders' equity		\$ 50,422	\$ 54,294

Going concern (note 3)  
Subsequent event (note 25)

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

Approved on Behalf of the Board of Directors

Signed "Christopher van Tienhoven", Director

Signed "Cristian Lopez Saubidet", Director

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the Three and Nine Months ended September 30, 2023 and 2022**

Unaudited – See Notice to Reader  
(Stated in thousands of U.S. dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
Revenue		\$ 3,321	\$ 2,461	\$ 6,747	\$ 10,348
Cost of sales	5	<u>(3,265)</u>	<u>(3,790)</u>	<u>(8,610)</u>	<u>(11,545)</u>
Gross profit (loss)		<u>56</u>	<u>(1,329)</u>	<u>(1,863)</u>	<u>(1,197)</u>
Operating expenses:					
Exploration expenses		(790)	(921)	(3,278)	(4,377)
Repair and maintenance		(181)	(117)	(529)	(352)
Depreciation, depletion and amortization	19	(74)	(447)	(369)	(1,738)
Administrative expenses	20	(1,155)	(1,279)	(3,779)	(3,734)
Share-based payments expense	17	(36)	(87)	(136)	(265)
Interest expense		<u>(697)</u>	<u>(983)</u>	<u>(2,018)</u>	<u>(2,425)</u>
Total operating expense		<u>(2,933)</u>	<u>(3,834)</u>	<u>(10,109)</u>	<u>(12,891)</u>
Other income/(expenses)					
Interest income		28	47	214	157
Gain/(loss) on foreign exchange		353	1,097	225	3,150
Accretion expense	7	(91)	(118)	(243)	(245)
Other income	22	<u>578</u>	<u>2,579</u>	<u>4,709</u>	<u>5,152</u>
Total other income		<u>868</u>	<u>3,605</u>	<u>4,905</u>	<u>8,214</u>
Net loss – before income taxes		<u>(2,009)</u>	<u>(1,558)</u>	<u>(7,067)</u>	<u>(5,874)</u>
Income tax benefit (expense)		<u>(195)</u>	<u>(503)</u>	<u>(816)</u>	<u>272</u>
Net loss		<u><u>\$ (2,204)</u></u>	<u><u>\$ (2,061)</u></u>	<u><u>\$ (7,883)</u></u>	<u><u>\$ (5,602)</u></u>
Attributable to non-controlling interest		(68)	(147)	(220)	(237)
Attributable to equity share owners of the parent		<u>(2,136)</u>	<u>(1,914)</u>	<u>(7,663)</u>	<u>(5,365)</u>
		<u>(2,204)</u>	<u>(2,061)</u>	<u>(7,883)</u>	<u>(5,602)</u>
Other comprehensive income (loss) net of tax					
Change in fair value of investment	9	-	(2)	(4)	(7)
Foreign currency translation adjustment		<u>(347)</u>	<u>(921)</u>	<u>209</u>	<u>(1,854)</u>
Total other comprehensive income (loss)		<u>(347)</u>	<u>(923)</u>	<u>205</u>	<u>(1,861)</u>
Total comprehensive loss		<u><u>\$ (2,551)</u></u>	<u><u>\$ (2,984)</u></u>	<u><u>\$ (7,678)</u></u>	<u><u>\$ (7,463)</u></u>
Weighted average number of common shares outstanding – basic and diluted					
	16	471,061,490	466,566,441	470,929,767	466,566,441
Net loss per share – basic and diluted	16	\$ (0.005)	\$ (0.004)	\$ (0.017)	\$ (0.012)

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

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**For the Nine Months ended September 30, 2023 and 2022**

Unaudited – See Notice to Reader

(Stated in thousands of U.S. dollars)

	Capital stock	Accumulated deficit	Accumulated other comprehensive income	Contributed surplus	Total Attributable to parent	Non-controlling interest	Total
Balance - January 1, 2022	11,244	(201,710)	19,877	189,677	19,088	(1,392)	17,696
Net loss	-	(5,365)	-	-	(5,365)	(237)	(5,602)
Other comprehensive loss	-	-	(1,861)	-	(1,861)	-	(1,861)
Share based payments (note 17)	-	-	-	265	265	-	265
Balance – September 30, 2022	11,244	(207,075)	18,016	189,942	12,127	(1,629)	10,498
Balance - January 1, 2023	11,244	(205,926)	18,960	190,026	14,304	(1,504)	12,800
Net loss	-	(7,663)	-	-	(7,663)	(220)	(7,883)
Other comprehensive income	-	-	205	-	205	-	205
Shares issued to settle debt (note 17)	50	-	-	-	50	-	50
Share based payments (note 17)	-	-	-	136	136	-	136
Balance – September 30, 2023	11,294	(213,589)	19,165	190,162	7,032	(1,724)	5,308

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

**Patagonia Gold Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Nine Months ended September 30, 2023 and 2022**

Unaudited – See Notice to Reader  
(Stated in thousands of U.S. dollars)

	Note	2023	2022
<b>Cash flow from operating activities</b>			
<b>Net loss</b>		\$ (7,883)	\$ (5,602)
<b>Items not affecting cash</b>			
Depreciation of property, plant and equipment	10	1,157	1,318
Depletion of mineral properties	6	107	1,240
Amortization of mining rights	8	75	75
Share based payment expense	17	136	265
Provisions	7	(506)	(932)
Write-down of inventory	5	1,028	1,188
Loss due to theft	5	820	-
Interest payable		1,462	522
Accretion expense	7	243	245
Loss (Gain) on sale of asset		(60)	-
Deferred tax expense/(benefit)		816	(272)
<b>Net change in non-cash working capital items</b>			
(Increase)/decrease in receivables		2,042	470
(Increase)/decrease in inventory		(962)	(1,516)
(Increase)/decrease in other financial assets		4	2
Increase/(decrease) in accounts payable and accrued liabilities		(3,148)	(1,665)
Increase/(decrease) in accounts payable and accrued liabilities with related parties		48	66
Increase/(decrease) in provision		-	(8)
Increase/(decrease) in transaction taxes payable		(4)	(49)
<b>Net cash used in operating activities</b>		<u>(4,625)</u>	<u>(4,653)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(308)	(187)
Purchase of mineral property	6	-	(103)
Proceeds from disposal of property, plant and equipment	10	60	-
<b>Net cash used in investing activities</b>		<u>(248)</u>	<u>(290)</u>
<b>Cash flow from financing activities</b>			
Bank indebtedness (repayment)		(8,945)	6,201
Proceeds from loans		13,910	-
Repayment of loans		(206)	(325)
<b>Net cash provided by financing activities</b>		<u>4,759</u>	<u>5,876</u>
<b>Net increase (decrease) in cash</b>		(114)	933
<b>Effect of foreign exchange on cash</b>		241	(782)
<b>Cash, beginning of period</b>		<u>231</u>	<u>291</u>
<b>Cash, end of the period</b>		\$ <u>358</u>	\$ <u>442</u>
Taxes paid		(4)	(49)
Interest paid		(337)	(1,712)
Supplemental non-cash information			
Shares issued to settle debt	17	50	-
Change in value of investments	9	(4)	(7)

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

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**Patagonia Gold Corp.****Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2023 and 2022**

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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 Limited (“PGL”) [formerly 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.

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

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

<b>Corporation</b>	<b>Incorporation</b>	<b>Percentage ownership</b>	<b>Functional currency</b>	<b>Business purpose</b>
Patagonia Gold S.A. (“PGSA”)	Argentina	95	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 Calcatreu S.A.U. (formerly Minera Aquiline S.A.U.)	Argentina	100	US\$	Exploration Stage
Patagonia Gold Canada Inc.	Canada	100	CAD\$	Holding
Patagonia Gold Chile S.C.M.	Chile	100	CH\$	Exploration Stage
Ganadera Patagonia S.R.L.	Argentina	100	US\$	Land Holding
1272680 B.C. Ltd (formerly 1494716 Alberta Ltd.)	Canada	100	CAD\$	Nominee Shareholder

The Company’s activities include the exploration for and production of minerals from properties in Argentina and Chile. On the basis of information to date, properties where it has not yet been determined if economically recoverable reserves exist are classified as exploration-stage. Properties where economically recoverable 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 reserves required to be classified in either the development or production stage.

**2. Basis of presentation**

The Company’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) and do not include all of the information required for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022.

The condensed interim consolidated financial statements were approved by the Company’s Board of Directors on November 29, 2023.

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

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**Patagonia Gold Corp.**  
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The Company's presentation currency is the US Dollar.

*Reclassification*

Certain amounts in the prior period condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2022 have been reclassified to conform with current period presentation. For the three and nine months ended September 30, 2022, the Company reclassified administrative expenses of \$447 and \$1,738 respectively and presented it as a separate item called depreciation, depletion and amortization. This reclassification did not have any effect on the reported results of operations.

**3. Going concern**

The accompanying condensed interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. During the three and nine months ended September 30, 2023, the Company had a net loss of \$2,204 (2022 - \$2,061) and \$7,883 (2022 - \$5,602) respectively. As at September 30, 2023, the Company has positive working capital of \$1,785 (December 31, 2022 - negative working capital \$8,664) and had an accumulated deficit of \$213,589 (December 31, 2022 - \$205,926). These aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon generating positive cash flows from operations as well as obtaining debt and equity financing. However, there can be no assurance that the steps management is taking will be successful. The accompanying condensed interim consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could have a material impact on the condensed interim consolidated financial statements.

**4. Material accounting policies and critical accounting judgements and estimates**

*(a) Material accounting policies*

Except as noted below, these condensed interim consolidated financial statements follow the same accounting policies as the Company's annual audited consolidated financial statements for the year ended December 31, 2022. For a complete list of accounting policies applied by the Company, see note 4 of the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

*(b) New accounting standards issued effective January 1, 2023*

*Disclosure of Accounting Policies (Amendments to IAS 1)*

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's financial statements.

*Definition of Accounting Estimates (Amendments to IAS 8)*

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an

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error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)*

The IASB has issued amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 12 *Income Taxes* which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's financial statements.

*(c) New accounting standards issued but not effective*

*Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

*(d) Critical accounting judgements and estimates*

The preparation of these condensed interim consolidated financial statements requires management to make certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2022.

## 5. Inventories

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	\$'000	\$'000
Gold held on carbon	\$ 1,284	\$ 1,948
Materials and supplies	2,634	2,705
	<u>\$ 3,918</u>	<u>\$ 4,653</u>

During the three and nine months ended September 30, 2023, the Company expensed \$2,795 (2022 - \$2,678) and \$5,946 (2022 - \$8,952) of inventories on the condensed interim consolidated statements of loss and comprehensive loss.

During the three and nine months ended September 30, 2023, the net realizable value of the inventory was less than the costs incurred in establishing the gold held on carbon and the Company recorded an inventory write down of \$60 (2022 - \$774) and \$1,028 (2022 - \$1,188) under cost of sales on the condensed interim consolidated statements of loss and comprehensive loss.

On April 17, 2023, the Company's gold room at its Cap-Oeste Project, located in the Santa Cruz province of Argentina, was the target of a robbery. The thieves gained access to the site and escaped with doré containing approximately 520 ounces of gold equivalent, which represents approximately one month of production from Lomada and Cap-Oeste Projects. The robbery was reported to the appropriate Argentine officials and the Company is working with the authorities to investigate the incident. As a result of this, the Company has recorded a loss of \$820 under cost of sales.



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**6. Mineral properties**

	Mining assets \$'000	Surface rights acquired \$'000	Total \$'000
<b>Cost</b>			
Balance – January 1, 2022	\$ 27,074	\$ 6,459	\$ 33,533
Additions	-	103	103
Disposals	(319)	-	(319)
Balance - December 31, 2022	\$ 26,755	\$ 6,562	\$ 33,317
Additions	-	-	-
Disposal	(32)	-	(32)
Balance – September 30, 2023	\$ 26,723	\$ 6,562	\$ 33,285
<b>Depletion</b>			
Balance - January 1, 2022	\$ 16,513	\$ 908	\$ 17,421
Change for the period	1,322	-	1,322
Disposals	(319)	-	(319)
Balance - December 31, 2022	\$ 17,516	\$ 908	\$ 18,424
Charge for the period	107	-	107
Disposal	(32)	-	(32)
Balance – September 30, 2023	\$ 17,591	\$ 908	\$ 18,499
<b>Net book value</b>			
December 31, 2022	\$ 9,239	\$ 5,654	\$ 14,893
September 30, 2023	\$ 9,132	\$ 5,654	\$ 14,786

**Lomada project**

All development costs incurred with respect to the Lomada project, from September 1, 2010 and onwards, have been capitalized as mineral properties and included under mining assets. The project completed the trial heap leach phase and entered full commercial production in the third quarter of 2013. Amortization is charged based on the unit-of-production method.

In February 2019, the Company reviewed the production profile for Lomada. Given the lower than anticipated recoveries, the Company made the decision to close the Lomada project.

Following receipt of a preliminary permit on October 7, 2020, the Company restarted mining operations at Lomada de Leiva in November 2020, which had been previously closed since in February 2019. The expenses related to the development of the new pit were capitalized as Mineral Properties.

**Cap-Oeste project**

The Company completed the development of Cap-Oeste Project in September 2016, entered into production in the last quarter of that year. As a result of the experience gained at Lomada, no trial production period was required at Cap-Oeste. Revenue from commercial production was therefore recognised from the outset. The capitalized development costs are amortized based on the unit of production method.

In February 2019, the Company reviewed the production profile for 2019 for Cap-Oeste. Given the expected lower production volumes, the Company made the decision to 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. Residual production continued at Cap-Oeste and the Company continued to capitalize costs under inventories.

**Mina Angela**

In September 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. Pursuant to the definitive agreement, the Company has paid

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\$250 representing the first earn-in payment. The Company shall decide whether to exercise the option no later than six months from the date of the definitive agreement. If the Company elects to exercise the option, they shall pay the second earn-in payment of \$250. A further and final payment of \$500 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 Patagonia has the ability to perform exploration and exploitation mining activities on the property. In addition, Latin Metals Inc. will be entitled to receive a 1.25% Net Smelter Royalty (“NSR”) from future production. The Company has the right to repurchase half of the NSR for \$1,000. On March 12, 2021, the Company exercised the option to acquire 100% interest in the Mina Angela property and paid the second earn-in payment of \$250.

On December 15, 2021, the legislature of the Province of Chubut passed a bill to amend the provincial mining law to enable open pit mining within a given area that comprises the Gastre and Telsen Departments. This new law regarding mining zoning was subsequently promulgated on December 16, 2021 by the Chubut Governor. This newly approved law regarding mining zoning would have enabled the Company to advance the development of its mining concessions, including Mina Angela. However, on December 20, 2021, the Chubut Governor, sent a bill to the legislature of the Province of Chubut to retract the recent amendments as a result of the violent demonstrations that occurred soon after such law was enacted. This bill, which revoked the amendments regarding mining zoning, was passed by the legislature of the Province of Chubut on December 21, 2021. The Company wrote off the costs related to this project during the year ended December 31, 2021 and as at December 31, 2022 and September 30, 2023, the carrying value of this property included in mineral properties is \$Nil.

**Surface rights**

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

During the year ended December 31, 2022, the Company entered into a farm-in agreement (the “Agreement”) with a private, arm’s length company operating in the mining sector (the “Partner”) for a drilling program of up to 20,000 meters on the Monte Leon target (“Monte Leon”) in the Company’s El Tranquilo block of concessions to earn up to a 50% interest in Monte Leon. The Partner will fund a core drilling program, to be conducted by the Company, divided into two phases, to define the lateral and depth extent of epithermal-style mineralization at Monte Leon. Phase 1 will consist of 8,500 meters for the Partner to earn a 20% stake in Monte Leon and will have the option to advance to Phase 2 to drill a further 11,500 meters for a total of 20,000 meters to earn an additional 30% interest in Monte Leon, for a maximum participation of 50%.

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

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for production. In October 2019, the agreement was extended until April 30, 2021 and may be extended for an additional one-year term. The agreement was terminated by mutual consent of the Company and Fomicruz in July 2020 and the Company has renegotiated new terms and conditions with Fomicruz for the exploration and exploitation of the La Josefina and La Valenciana properties and in December 2021, both parties entered into a new exploration agreement with an exploitation option for the following three projects: the La Josefina project, the La Valenciana project and a new and unexplored property, the Abril Project (the “Projects”).

The Company also entered into a Net Smelter Royalty agreement, pursuant to which Fomicruz is granted a 2% royalty on the mining properties that it has already contributed to PGSA and on the Abril Project, with the exception of the La Josefina project and the La Valenciana project, where Fomicruz is granted a 5% royalty. Furthermore, the Company committed to a \$5 million investment to developing an exploration program for the Projects during a 2-year period beginning once the environmental permits for the exploration development of the Projects are obtained.

**Homenaje and Nico Projects**

On April 15, 2021, the Company entered into definitive agreements to acquire two projects in Argentina. A definitive option agreement was executed with Mirasol Resources Ltd. (“Mirasol”) and Mirasol’s wholly-owned subsidiary Australis S.A. (“Australis” and together with Mirasol, the “Vendors”), which grants the Company an option to acquire a 75% undivided interest in and to Australis’ rights and interest in the Homenaje project located in Santa Cruz Province, Argentina. The Company also entered into a definitive transfer agreement dated April 15, 2021 (with the Vendors, which grants the Company a 100% undivided interest in and to Australis’ rights and interest in the Nico project located in Santa Cruz Province, Argentina.

*Homenaje Project*

Pursuant to the Option Agreement, Patagonia has an option to earn a 75% interest in the Homenaje Project over six years upon achievement of the following (collectively, the “Earn-In Obligations”):

- an initial work program over six years of \$2.55 million in exploration expenditures, including 2,500 meters of drilling, on the Homenaje Project;
- expenditures on exploration activities with respect to the Homenaje Project (the “Exploration Expenditures”) of a minimum of \$0.4 million over the first 18-months;
- following completion of the initial Exploration Expenditures and drilling obligations due within the first 30 months, Patagonia must complete a minimum of \$0.4 million of Exploration Expenditures in any 12-month period, and a minimum of \$0.2 million of Exploration Expenditures in any six-month period; and
- a pre-feasibility study, prepared in accordance with NI 43-101, for a mineral resource of not less than 300,000 ounces of gold equivalent.

Upon Patagonia completing the Earn-In Obligations, Patagonia and the Vendors will hold 75% and 25%, respectively, in a joint venture company holding the Homenaje Project. If either party’s equity interest is diluted below 10%, it will convert to a 2% NSR royalty.

On June 9, 2023, the Company delivered a default notice to Mirasol under the option agreement due to the occurrence of a default as result of the presence of archaeological remains in the main area. On July 11, 2023, the Company provided notice to Mirasol that the option agreement was terminated based on that default. On October 3, 2023, Mirasol announced that this agreement had been terminated and that Patagonia had failed to complete the exploration expenditures. While this is technically accurate, Mirasol failed to disclose that the Company delivered a default notice to Mirasol on June 9, 2023, due to the occurrence of a default as result of the presence of archaeological remains in the main area. Patagonia had spent \$105 before work was suspended because of the discovery of indigenous graves. From the date when work was suspended until the date that Patagonia terminated the agreement, the relevant authorities advised that no mining activity of any kind was permitted. Patagonia respects this decision as it values indigenous heritage and would not have it compromised. The Company is currently involved in disputes over non-material amounts, estimated as approximately \$105 being claimed by the Company and \$295 being claimed against the Company.

*Nico Project*

Pursuant to the terms of the Transfer Agreement, Patagonia has acquired the Vendors’ interest in the Nico Project in exchange for a 1.5% NSR royalty. If, by the end of third-year, the Nico Project has not been operated as a producing mine, or Patagonia has not produced

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and shipped minerals in commercial quantities (excluding bulk sampling or pilot plant operations, if any) from the Nico Project for a period of 30 consecutive days, Mirasol will have the right to regain full ownership of the Nico Project at no cost.

**7. Reclamation and remediation obligations**

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 IFRS, the Company recognized the estimated fair value of that liability as an asset retirement obligation. As at September 30, 2023, the total amount of undiscounted cash flows required to settle the estimated obligation is \$4,042 (December 31, 2022 - \$4,396) which has been discounted using a weighted average risk-free rate of 5.31% (December 31, 2022 – 4.48%) and an inflation rate of 3.70% (December 31, 2022 – 6.45%).

The following table describes the changes to the Company's reclamation and remediation obligation liability:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	\$'000	\$'000
Reclamation and remediation obligation - beginning of period	\$ 4,069	\$ 6,188
Change in estimate	(506)	(2,424)
Accretion expense	243	305
Reclamation and remediation obligation - end of period	<u>\$ 3,806</u>	<u>\$ 4,069</u>

The Company reassesses the cost of reclamation and remediation obligations periodically given new information regarding changes to the risk-free rate, inflation rate and undiscounted cash flow. During the nine months ended September 30, 2023 and year ended December 31, 2022, the change in estimate relates to revisions to the estimated discounted cashflow and inflation rates obligations.

**8. Mining rights**

	<b>Fomicruz Agreement</b>	<b>Minera Calcatreu</b>	<b>Total</b>
	\$'000	\$'000	\$'000
Balance – January 1, 2022	\$ 2,988	\$ 14,157	\$ 17,145
Amortization	(100)	-	(100)
Exchange differences	-	(882)	(882)
Balance - December 31, 2022	<u>\$ 2,888</u>	<u>\$ 13,275</u>	<u>\$ 16,163</u>
Amortization	(75)	-	(75)
Exchange differences	-	(36)	(36)
Balance – September 30, 2023	<u>\$ 2,813</u>	<u>\$ 13,239</u>	<u>\$ 16,052</u>

**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

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financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to \$4 million.

Effective January 1, 2020, the Company’s former subsidiary Cerro Cazador S.A merged with PGSA and as a result, Formicruz has a 5% interest in the newly merged entity.

**Minera Calcatreu Agreement**

On January 31, 2018, Patagonia, through a wholly owned subsidiary (Patagonia Gold Canada Inc. “PGCAD”), acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Calcatreu S.A.U (formerly 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.

**9. Other financial assets**

The Company has short-term investments in equity securities which are recorded at fair value through other comprehensive income (loss). As at September 30, 2023, the fair value of the short-term investments is \$5 (December 31, 2022 - \$9).

**10. Property, plant and equipment**

	<b>Plant</b>	<b>Buildings</b>	<b>Vehicles and</b>	<b>Improvements and</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>equipment</b>	<b>advances</b>	<b>\$'000</b>
			<b>\$'000</b>	<b>\$'000</b>	
<b>Cost</b>					
Balance – January 1, 2022	\$ 15,477	\$ 1,979	\$ 23,791	\$ 2,236	\$ 43,483
Additions	-	-	168	39	207
Disposals	-	-	(192)	-	(192)
Transfers	-	-	822	(822)	-
Balance – December 31, 2022	\$ 15,477	\$ 1,979	\$ 24,589	\$ 1,453	\$ 43,498
Additions	-	-	306	2	308
Disposals	-	-	(53)	-	(53)
Transfers	-	-	-	-	-
Balance – September 30, 2023	\$ 15,477	\$ 1,979	\$ 24,842	\$ 1,455	\$ 43,753
<b>Accumulated depreciation</b>					
Balance – January 1, 2022	\$ 13,683	\$ 523	\$ 16,802	\$ -	\$ 31,008
Disposals	-	-	(168)	-	(168)
Depreciation for the year	272	161	1,581	-	2,014
Balance – December 31, 2022	\$ 13,955	\$ 684	\$ 18,215	\$ -	\$ 32,854
Disposals	-	-	(53)	-	(53)
Depreciation for the period	204	120	984	-	1,308
Balance – September 30, 2023	\$ 14,159	\$ 804	\$ 19,146	\$ -	\$ 34,109
<b>Net book value</b>					
December 31, 2022	\$ 1,522	\$ 1,295	\$ 6,374	\$ 1,453	\$ 10,644
September 30, 2023	\$ 1,318	\$ 1,175	\$ 5,696	\$ 1,455	\$ 9,644

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**11. Receivables**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Receivable from sales	\$ -	\$ 55
Recoverable value added tax (“VAT”)	519	1,559
Other receivables	307	407
<b>Total</b>	<b>\$ 826</b>	<b>\$ 2,021</b>

**12. Other receivables**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Recoverable value added tax (“VAT”)	\$ 522	\$ 1,234
Other receivables	302	437
<b>Total</b>	<b>\$ 824</b>	<b>\$ 1,671</b>

**13. Bank indebtedness**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
A credit facility with a limit of \$9,100, maturity date of December 31, 2023 and interest rate of 7.24% <sup>1</sup>	\$ -	\$ 8,945
	\$ -	\$ 8,945

1 - As at December 31, 2022, the interest rate was 5%.

The lines of credit have no specific terms of repayment and the Company renews them every year.

**14. Accounts payable and accrued liabilities**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade accounts payable and accrued liabilities	\$ 1,542	\$ 3,870
Income tax	16	-
Other accruals <sup>1</sup>	1,265	2,083
Accounts payable to related parties (note 18)	283	285
<b>Total</b>	<b>\$ 3,106</b>	<b>\$ 6,238</b>

1 - As at September 30, 2023, other accruals consist of taxes payable of \$967 (December 31, 2022 - \$1,690) and accrued salaries of \$298 (December 31, 2022 - \$393).

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**15. Long-term debt**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<u>\$'000</u>	<u>\$'000</u>
Loan secured by a letter of guarantee from the Company, at 7.5% interest per annum, due December 31, 2024 <sup>1</sup> (note 18)	\$ 31,571	\$ 17,661
Loan secured by assets of the Company at 9% interest per annum, due January 31, 2024	211	417
Accrued interest on debt	3,789	2,327
	<u>\$ 35,571</u>	<u>\$ 20,405</u>
Less current portion	<u>(211)</u>	<u>(386)</u>
	<u>\$ 35,360</u>	<u>\$ 20,019</u>

1 – During the year ended December 31, 2022, the loan facility was amended to increase the maximum amount of the loan from \$15,000 to \$20,000, amend the maturity date from December 31, 2023 to December 31, 2024 and interest rate was increased from 5% to 7.5%. Other than these changes, all other terms of the loan facility remain unchanged. During the period ended September 30, 2023, the loan facility was amended to increase the maximum amount of the loan to \$33,000. Other than this change, all other terms of the loan facility remain unchanged.

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

<u>Year ending December 31,</u>	
<b>2023</b>	182
<b>2024</b>	35,389

**16. Net loss per share**

Basic and diluted net loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. There were no dilutive items outstanding for the period as the Company had a net loss and the effect of any stock options or warrants would be anti-dilutive.

The net loss per share is as follows:

	<b>For the Three Months Ended</b>	
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Net loss (\$'000)	\$ (2,204)	\$ (2,061)
Weighted average number of common shares outstanding – basic and diluted	471,061,490	466,566,441
Net loss per share – basic and diluted	<u>\$ (0.005)</u>	<u>\$ (0.004)</u>
	<b>For the Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Net loss (\$'000)	\$ (7,883)	\$ (5,602)
Weighted average number of common shares outstanding – basic and diluted	470,929,767	466,566,441
Net loss per share – basic and diluted	<u>\$ (0.0017)</u>	<u>\$ (0.012)</u>

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## 17. Capital stock

### Authorized:

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

### Issued:

	<b>Number of common shares outstanding</b>	<b>Amount \$'000</b>
<b>Balance at January 1, 2022 and 2023</b>	466,566,441	\$ 11,244
Shares issued to settle debt	4,495,049	50
<b>Balance at and September 30, 2023</b>	<b>471,061,490</b>	<b>\$ 11,294</b>

Preferred shares are non-redeemable and non-transferrable with discretionary dividends and hence are classified as equity. Preferred shares shall be issued at a price of \$0.30 per share and will not have voting rights. As at September 30, 2023 and December 31, 2022, there were no preferred shares issued by the Company.

### Debt Settlement

During the nine months ended September 30, 2023, the Company issued 4,495,049 common shares to certain former directors of the Company settle a total of \$50 of director fees payable for the period from September 2020 to October 2022.

### Normal Course Issuer Bid

On November 28, 2022, the Company announced that it has received approval from the TSXV of its Notice of Intention to Make a NCIB. Under the NCIB, the Company may purchase for cancellation up to 10,000,000 common shares (the “Shares”) (representing approximately 2% of its 466,566,441 issued and outstanding common shares as of November 25, 2022 over a twelve (12) month period commencing on December 2, 2022.

During the nine months ended September 30, 2023 and year ended December 31, 2022, the Company did not repurchase any shares under the NCIB.

Subsequent to the period ended September 30, 2023, the Company repurchased 1,992,000 common shares under the NCIB for \$14.4 at an average price of CAD 0.01 per share.

### 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 condensed interim consolidated statements of loss and comprehensive loss with a corresponding credit to “Contributed Surplus”. 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.



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	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of options	Weighted Average Price (CAD)	Number of options	Weighted Average Price (CAD)
Balance, beginning of period	17,250,000	\$ 0.118	17,250,000	\$ 0.118
Granted	-	-	-	-
Forfeited	(7,000,000)	0.118	-	-
Balance, end of period	10,250,000	\$ 0.118	17,250,000	\$ 0.118

During the nine months ended September 30, 2023, 7,000,000 stock options issued to employees were forfeited as the employees are no longer employed by the Company.

As at September 30, 2023, the following stock options were outstanding:

Exercise price (CAD)	Options vested	Options unvested	Total outstanding	Remaining contractual life (years)	Expiry date
\$0.065	4,550,000	-	4,550,000	0.99	September 25, 2024
\$0.160	5,700,000	-	5,700,000	1.87	August 13, 2025
	10,250,000	-	10,250,000	1.48	

During the three and nine months ended September 30, 2023, the Company recognized share-based payments expense of \$36 (2022 - \$87) and \$136 (2022 - \$265) respectively.

**Agent compensation options**

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Agent compensation options	Weighted Average Price (CAD)	Number of Agent compensation options	Weighted Average Price (CAD)
Balance, beginning of period	2,509,586	\$ 0.09	2,509,586	\$ 0.09
Issued	-	-	-	-
Balance, end of period	2,509,586	\$ 0.09	2,509,586	\$ 0.09

As at September 30, 2023, the following Agent compensation options were outstanding:

Exercise price (CAD)	Number outstanding	Remaining Contractual Life (Years)	Expiry date
\$0.09	2,509,586	0.44	March 10, 2024

**Warrants**

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of warrants	Weighted Average Price (CAD)	Number of warrants	Weighted Average Price (CAD)
Balance, beginning of period	104,086,063	\$ 0.13	104,086,063	\$ 0.13
Issued	-	-	-	-
Balance, end of period	104,086,063	\$ 0.13	104,086,063	\$ 0.13

As at September 30, 2023, the following warrants were outstanding:

Exercise price (CAD)	Number outstanding	Remaining Contractual Life (Years)	Expiry date
\$0.13	104,086,063	0.44	March 10, 2024

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**18. Related party transactions**

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

Name and Principal Position		Remuneration, fees or interest expense	Loans or Advances	Remuneration, fees, or interest payments	Loan payments	Included in Accounts Payable	Included in Loan Payable and Long-term debt
		Nine months ended September 30,				As at September 30, 2023 and December 31, 2022	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
A company controlled by a director	2023	48	-	-	-	277	-
- admin, office, and interest expenses	2022	48	-	-	-	229	-
Directors	2023	403	-	453	-	6	-
- salaries and wages	2022	367	-	349	-	56	-

As at September 30, 2023, the Company has \$283 (December 31, 2022 - \$285) in accounts payable owing to related parties which relate primarily to directors' fees and office rent.

**19. Depreciation, depletion and amortization**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	\$ 415	\$ 506	\$ 1,308	\$ 1,540
Depreciation allocated to inventory	(399)	(372)	(1,121)	(1,117)
Depletion of mineral properties	33	288	107	1,240
Amortization of mining rights	25	25	75	75
<b>Total</b>	<b>\$ 74</b>	<b>\$ 447</b>	<b>\$ 369</b>	<b>\$ 1,738</b>

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**20. Administrative expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
General and administrative	\$ 983	\$ 914	\$ 3,150	\$ 2,393
Argentina statutory taxes	27	62	102	448
Professional fees	83	159	321	465
Operating leases	12	14	42	46
Directors' remuneration	39	54	118	158
Consulting fees	4	13	14	43
Transaction taxes expenses	7	63	32	181
<b>Total</b>	<b>\$ 1,155</b>	<b>\$ 1,279</b>	<b>\$ 3,779</b>	<b>\$ 3,734</b>

**21. Financial instruments**

The Company's financial instruments consist of cash, receivables, other financial assets, bank indebtedness, 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.

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*Fair value*

As at September 30, 2023, there were no changes in the levels in comparison to December 31, 2022. The fair values of financial instruments are summarized as follows:

	September 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
<i>Amortized cost</i>				
Cash	358	358	231	231
Receivables and other receivable <sup>1</sup>	609	609	899	899
<i>Fair value through other comprehensive income</i>				
Other financial assets (Level 1)	5	5	9	9
<b>Financial liabilities</b>				
<i>Amortized cost</i>				
Bank indebtedness	-	-	8,945	8,945
Accounts payable and accrued liabilities	3,106	3,106	6,238	6,238
Current portion of long-term debt	211	211	386	386
Long-term debt	35,360	35,360	20,019	20,019

<sup>1</sup> Amounts exclude value added tax (“VAT”) recoverable of \$1,041 and \$2,793 as September 30, 2023 and December 31, 2022.

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 and bank indebtedness approximate their fair value because of the short-term nature of these instruments. The Company assessed that there were no indicators of impairment for the financial assets.

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.

*Market Risk*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk and currency risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk with regards to its bank indebtedness which is comprised of lines of credits at variable interest rates. To the extent that changes in the prevailing market interest rates differ from the interest rates on the Company’s monetary liabilities, the Company is exposed to interest rate price risk.

**Currency Risk**

Currency risk is the risk to the Company’s earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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*Credit Risk*

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. Credit risk is managed by dealing with parties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the parties.

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. As at September 30, 2023, the Company had total cash balances of \$358 (December 31, 2022 - \$231) at financial institutions, where \$Nil (December 31, 2022 - \$Nil) is in excess of federally insured limits.

*Liquidity Risk*

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. As at September 30, 2023, the Company had current assets of \$5,102 (December 31, 2022 - \$6,905) to settle current liabilities of \$3,317 (December 31, 2022 - \$15,569).

*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 September 30, 2023 and December 31, 2022, the Company had two (2) customers that make up the entire balance of the 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.

**22. Other income**

As part of the Company's treasury management, the Company trades certain securities denominated in US dollar and Argentine Peso. The gain on disposition of these securities is recorded as other income on the condensed interim consolidated statements of loss and comprehensive loss. During the three and nine months ended September 30, 2023, the Company recognized a gain of \$518 (2022 – \$2,579) and \$4,649 (2022 – \$5,152) respectively.

During the three and nine months ended September 30, 2023, the Company recognized a gain on sale of assets of \$60 (2022 - \$Nil) and \$60 (2022 - \$Nil) that is included in other income.

**23. Segment reporting**

All of the Company's operations are in the mineral properties mining and 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.

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

For the three months ended September 30, 2023

	Argentina								UK	North America	Total
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile						
Revenue	\$ 815	\$ 2,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,321	
Cost of sales	(632)	(2,633)	-	-	-	-	-	-	-	(3,265)	
Gross profit (loss)	\$ 183	\$ (127)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56	
Operating expense											
Exploration expense	\$ -	\$ -	\$ (21)	\$ (138)	\$ (631)	\$ -	\$ -	\$ -	\$ -	\$ (790)	
Repair and maintenance	-	-	-	(181)	-	-	-	-	-	(181)	
Depreciation, depletion and amortization	-	(33)	(4)	-	(12)	(25)	-	-	-	(74)	
Administrative expenses	-	-	(217)	-	(723)	(3)	(212)	-	-	(1,155)	
Share-based payments	-	-	-	-	-	-	(36)	-	-	(36)	
Interest expense	-	-	(15)	-	(87)	(151)	(444)	-	-	(697)	
Total operating expense	\$ -	\$ (33)	\$ (257)	\$ (319)	\$ (1,453)	\$ (179)	\$ (692)	\$ -	\$ -	\$ (2,933)	
Other income/(expense)											
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ 28	
Gain/(loss) on foreign exchange	-	-	236	-	44	283	(210)	-	-	353	
Accretion expense	(50)	(7)	-	(34)	-	-	-	-	-	(91)	
Other expenses	-	-	-	-	578	-	-	-	-	578	
Total other income/(expense)	\$ (50)	\$ (7)	\$ 236	\$ (34)	\$ 650	\$ 283	\$ (210)	\$ -	\$ -	\$ 868	
Income/(loss) – before income tax	\$ 133	\$ (167)	\$ (21)	\$ (353)	\$ (803)	\$ 104	\$ (902)	\$ -	\$ -	\$ (2,009)	
Income tax/(benefit)	-	-	(24)	30	(201)	-	-	-	-	(195)	
Net income/(loss)	\$ 133	\$ (167)	\$ (45)	\$ (323)	\$ (1,004)	\$ 104	\$ (902)	\$ -	\$ -	\$ (2,204)	

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For the three months ended September 30, 2022

	Argentina									Total
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America			
Revenue	\$ 1,146	\$ 1,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,461
Cost of sales	(890)	(2,900)	-	-	-	-	-	-	-	(3,790)
Gross profit (loss)	\$ 256	\$ (1,585)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,329)
Operating expense										
Exploration expense	\$ -	\$ -	\$ (304)	\$ (429)	\$ (188)	\$ -	\$ -	\$ -	\$ -	\$ (921)
Repair and maintenance	-	-	-	(117)	-	-	-	-	-	(117)
Depreciation, depletion and amortization	(211)	(77)	(5)	-	(129)	(25)	-	-	-	(447)
Administrative expenses	-	-	(79)	-	(957)	(20)	(223)	-	-	(1,279)
Share-based payments	-	-	-	-	-	-	(87)	-	-	(87)
Interest expense	-	-	(11)	-	(721)	(142)	(109)	-	-	(983)
Total operating expense	\$ (211)	\$ (77)	\$ (399)	\$ (546)	\$ (1,995)	\$ (187)	\$ (419)	\$ -	\$ -	\$ (3,834)
Other income/(expense)										
Interest income	\$ -	\$ -	\$ 4	\$ -	\$ 43	\$ -	\$ -	\$ -	\$ -	\$ 47
Gain/(loss) on foreign exchange	-	-	(873)	-	1,709	750	(489)	-	-	1,097
Accretion expense	(63)	(8)	-	(47)	-	-	-	-	-	(118)
Other income	-	-	1,236	-	1,343	-	-	-	-	2,579
Total other income/(expense)	\$ (63)	\$ (8)	\$ 367	\$ (47)	\$ 3,095	\$ 750	\$ (489)	\$ -	\$ -	\$ 3,605
Income/(loss) – before income tax	\$ (18)	\$ (1,670)	\$ (32)	\$ (593)	\$ 1,100	\$ 563	\$ (908)	\$ -	\$ -	\$ (1,558)
Income tax/(benefit)	-	-	(129)	(10)	(364)	-	-	-	-	(503)
Net income/(loss)	\$ (18)	\$ (1,670)	\$ (161)	\$ (603)	\$ 736	\$ 563	\$ (908)	\$ -	\$ -	\$ (2,061)

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For the nine months ended September 30, 2023

Argentina

	Lomada Project	Cap- Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
Revenue	\$ 2,134	\$ 4,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,747
Cost of sales	(1,814)	(6,796)	-	-	-	-	-	(8,610)
Gross profit (loss)	\$ 320	\$ (2,183)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,863)
Operating expense								
Exploration expense	\$ -	\$ -	\$ (547)	\$ (739)	\$ (1,992)	\$ -	\$ -	\$ (3,278)
Repair and maintenance	-	-	-	(529)	-	-	-	(529)
Depreciation, depletion and amortization	-	(107)	(15)	-	(172)	(75)	-	(369)
Administrative expenses	-	-	(452)	-	(2,683)	(65)	(579)	(3,779)
Share-based payments	-	-	-	-	-	-	(136)	(136)
Interest expense	-	-	(40)	-	(356)	(537)	(1,085)	(2,018)
Total operating expense	\$ -	\$ (107)	\$ (1,054)	\$ (1,268)	\$ (5,203)	\$ (677)	\$ (1,800)	\$ (10,109)
Other income/(expense)								
Interest income	\$ -	\$ -	\$ 1	\$ -	\$ 213	\$ -	\$ -	\$ 214
Gain/(loss) on foreign exchange	-	-	391	-	(40)	(91)	(35)	225
Accretion expense	(136)	(16)	-	(91)	-	-	-	(243)
Other expenses	-	-	-	-	4,709	-	-	4,709
Total other income/(expense)	\$ (136)	\$ (16)	\$ 392	\$ (91)	\$ 4,882	\$ (91)	\$ (35)	\$ 4,905
Income/(loss) – before income tax	\$ 184	\$ (2,306)	\$ (662)	\$ (1,359)	\$ (321)	\$ (768)	\$ (1,835)	\$ (7,067)
Income tax/(benefit)	-	-	67	102	(985)	-	-	(816)
Net income/(loss)	\$ 184	\$ (2,306)	\$ (595)	\$ (1,257)	\$ (1,306)	\$ (768)	\$ (1,835)	\$ (7,883)



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For the nine months ended September 30, 2022

	Argentina								Total
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America		
Revenue	\$ 5,101	\$ 5,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,348	
Cost of sales	(5,256)	(6,289)	-	-	-	-	-	(11,545)	
Gross profit (loss)	\$ (155)	\$ (1,042)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,197)	
Operating expense									
Exploration expense	\$ -	\$ -	\$ (935)	\$ (926)	\$ (2,516)	\$ -	\$ -	\$ (4,377)	
Repair and maintenance	-	-	-	(352)	-	-	-	(352)	
Depreciation, depletion and amortization	(1,080)	(160)	(17)	-	(406)	(75)	-	(1,738)	
Administrative expenses	-	-	(203)	-	(2,825)	(36)	(670)	(3,734)	
Share-based payments	-	-	-	-	-	-	(265)	(265)	
Interest expense	-	-	(31)	-	(1,743)	(373)	(278)	(2,425)	
Total operating expense	\$ (1,080)	\$ (160)	\$ (1,186)	\$ (1,278)	\$ (7,490)	\$ (484)	\$ (1,213)	\$ (12,891)	
Other income/(expense)									
Interest income	\$ -	\$ -	\$ 10	\$ -	\$ 147	\$ -	\$ -	\$ 157	
Gain/(loss) on foreign exchange	-	-	(1,199)	-	3,303	1,649	(603)	3,150	
Accretion expense	(128)	(20)	-	(97)	-	-	-	(245)	
Other income	-	-	3,809	-	1,343	-	-	5,152	
Total other income/(expense)	\$ (128)	\$ (20)	\$ 2,620	\$ (97)	\$ 4,793	\$ 1,649	\$ (603)	\$ 8,214	
Income/(loss) – before income tax	\$ (1,363)	\$ (1,222)	\$ 1,434	\$ (1,375)	\$ (2,697)	\$ 1,165	\$ (1,816)	\$ (5,874)	
Income tax/(benefit)	-	-	(658)	22	908	-	-	272	
Net income/(loss)	\$ (1,363)	\$ (1,222)	\$ 776	\$ (1,353)	\$ (1,789)	\$ 1,165	\$ (1,816)	\$ (5,602)	

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	Total Assets		Total liabilities	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
	\$'000	\$'000	\$'000	\$'000
Argentina – Cap-Oeste	\$ 12,732	\$ 12,191	\$ 1,480	\$ 2,559
Argentina – Lomada	2,909	5,792	1,801	2,044
Argentina – Calcatreu	14,815	15,045	370	700
Argentina – Martha & La Josefina	10,404	11,059	3,313	2,482
Argentina and Chile	5,380	6,009	2,715	5,320
United Kingdom	11	60	9,850	14,180
North America	4,171	4,138	25,585	14,209
<b>Total</b>	<b>\$ 50,422</b>	<b>\$ 54,294</b>	<b>\$ 45,114</b>	<b>\$ 41,494</b>

**24. Capital Management**

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<sup>3</sup> 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.

The Company is not subject to any externally imposed capital requirements.

The Company's capital as at September 30, 2023 and December 31, 2022 is as follows:

	September 30, 2023	December 31, 2022
	\$'000	\$'000
Bank indebtedness	\$ -	\$ 8,945
Current portion of long-term debt	211	386
Long-term debt	35,360	20,019
Shareholders' equity attributable to the parent	7,032	14,304
<b>Total</b>	<b>\$ 42,603</b>	<b>\$ 43,654</b>

**25. Subsequent events**

Refer to notes 6 and 17 for subsequent event transactions.