



Patagonia Gold Corp.

Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

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

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Independent Auditor's Report

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To the Board of Directors and Shareholders of Patagonia Gold Corp.

Opinion

We have audited the consolidated financial statements of Patagonia Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023, and December 31, 2022 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the consolidated financial statements which indicates the Company incurred a net loss of US\$6,407 thousand during the year ended December 31, 2023, and as of that date had an accumulated deficit of US\$212,227 thousand. These conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert J. Riecken.



Vancouver, Canada
April 26, 2024

Chartered Professional Accountants
Licensed Public Accountants

Patagonia Gold Corp.
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(Stated in thousands of U.S. dollars)

	Note	2023	2022
Current assets			
Cash		\$ 185	\$ 231
Receivables	12	352	2,021
Inventories	6	4,167	4,653
Total current assets		4,704	6,905
Non-current assets			
Mineral properties	7	14,753	14,893
Mining rights	9	16,358	16,163
Property, plant and equipment	11	9,416	10,644
Goodwill		4,009	4,009
Other financial assets	10	2	9
Other receivables	13	332	1,671
Total non-current assets		44,870	47,389
Total assets		\$ 49,574	\$ 54,294
Current liabilities			
Bank indebtedness	14	\$ 538	\$ 8,945
Accounts payable and accrued liabilities	15	1,689	5,953
Accounts payable with related parties	15,19	164	285
Current portion of long-term debt	16	213	386
Total current liabilities		2,604	15,569
Non-current liabilities			
Long-term debt	16	36,259	20,019
Reclamation and remediation obligations	8	3,281	4,069
Deferred tax liabilities	26	170	1,837
Total non-current liabilities		39,710	25,925
Total liabilities		42,314	41,494
Shareholders' equity			
Capital stock	18	11,250	11,244
Contributed surplus		190,161	190,026
Accumulated deficit		(212,227)	(205,926)
Accumulated other comprehensive income		19,686	18,960
Total shareholders' equity attributable to the parent		8,870	14,304
Non-controlling interest		(1,610)	(1,504)
Total shareholders' equity		7,260	12,800
Total liabilities and shareholders' equity		\$ 49,574	\$ 54,294

Going concern (note 3)

Subsequent events (notes 14, 18 and 27)

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

Approved on Behalf of the Board of Directors

Signed "Christopher van Tienhoven", Director

Signed "Cristian Lopez Saubidet", Director

Patagonia Gold Corp.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2023 and 2022
(Stated in thousands of U.S. dollars)

	Note	2023	2022
Revenue		\$ 8,220	\$ 12,340
Cost of sales	6	<u>(9,902)</u>	<u>(14,635)</u>
Gross loss		<u>(1,682)</u>	<u>(2,295)</u>
Operating expenses:			
Exploration expenses		(3,737)	(5,374)
Repairs and maintenance		(724)	(513)
Depreciation, depletion and amortization	20	(498)	(1,899)
Administrative expenses	21	(4,867)	(5,491)
Share-based payments expense	18	(135)	(349)
Interest expense	16	<u>(2,788)</u>	<u>(3,395)</u>
Total operating expenses		<u>(12,749)</u>	<u>(17,021)</u>
Other income/(expenses)			
Interest income		232	194
Gain on foreign exchange		1,066	2,428
Accretion expense	8	(282)	(305)
Other income	23	<u>5,356</u>	<u>10,709</u>
Total other income		<u>6,372</u>	<u>13,026</u>
Net loss – before income taxes		<u>(8,059)</u>	<u>(6,290)</u>
Income tax benefit	26	<u>1,652</u>	<u>1,962</u>
Net loss		<u>\$ (6,407)</u>	<u>\$ (4,328)</u>
Attributable to non-controlling interest		(106)	(112)
Attributable to equity share owners of the parent		<u>(6,301)</u>	<u>(4,216)</u>
		<u>(6,407)</u>	<u>(4,328)</u>
Other comprehensive income (loss) net of tax			
Change in fair value of investment	10	(7)	(6)
Foreign currency translation adjustment		<u>733</u>	<u>(911)</u>
Total other comprehensive income (loss)		<u>726</u>	<u>(917)</u>
Total comprehensive loss		<u>\$ (5,681)</u>	<u>\$ (5,245)</u>
Weighted average number of common shares outstanding – basic and diluted	17	470,595,500	466,566,441
Net loss per share – basic and diluted	17	\$ (0.014)	\$ (0.009)

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

Patagonia Gold Corp.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022
(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	-	(4,216)	-	-	(4,216)	(112)	(4,328)
Other comprehensive loss	-	-	(917)	-	(917)	-	(917)
Share based payments (note 18)	-	-	-	349	349	-	349
Balance – December 31, 2022	\$ 11,244	\$ (205,926)	\$ 18,960	\$ 190,026	\$ 14,304	\$ (1,504)	\$ 12,800
Balance - January 1, 2023	\$ 11,244	\$ (205,926)	\$ 18,960	\$ 190,026	\$ 14,304	\$ (1,504)	\$ 12,800
Shares issued to settle debt (note 18)	50	-	-	-	50	-	50
Share repurchased under NCIB (note 18)	(44)	-	-	-	(44)	-	(44)
Net loss	-	(6,301)	-	-	(6,301)	(106)	(6,407)
Other comprehensive income	-	-	726	-	726	-	726
Share based payments (note 18)	-	-	-	135	135	-	135
Balance – December 31, 2023	\$ 11,250	\$ (212,227)	\$ 19,686	\$ 190,161	\$ 8,870	\$ (1,610)	\$ 7,260

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

Patagonia Gold Corp.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Stated in thousands of U.S. dollars)

	Note	2023	2022
Cash flow from operating activities			
Net loss		\$ (6,407)	\$ (4,328)
Items not affecting cash			
Depreciation of property, plant and equipment	11	1,516	1,735
Depletion of mineral properties	7	140	1,322
Amortization of mining rights	9	100	100
Share based payment expense	18	135	349
Provisions	8	(1,070)	(2,424)
Write-down of inventory	6	1,028	1,475
Loss due to theft	6	820	-
Interest payable		2,061	781
Accretion expense	8	282	305
Gain on sale of asset		(160)	-
Deferred tax expense/(benefit)		(1,652)	(1,962)
Net change in non-cash working capital items			
(Increase)/decrease in receivables		3,008	241
(Increase)/decrease in inventory		(1,196)	(2,090)
(Increase)/decrease in other financial assets		7	-
Increase/(decrease) in accounts payable and accrued liabilities		(4,267)	(853)
Increase/(decrease) in accounts payable and accrued liabilities with related parties		(71)	77
Increase/(decrease) in provision		-	(8)
Increase/(decrease) in transaction taxes payable		(12)	(49)
Net cash used in operating activities		<u>(5,738)</u>	<u>(5,329)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(454)	(207)
Purchase of mineral property	7	-	(103)
Proceeds from disposal of property, plant and equipment	11	160	24
Net cash used in investing activities		<u>(294)</u>	<u>(286)</u>
Cash flow from financing activities			
Bank indebtedness (repayment)		(8,407)	2,239
Proceeds from loans		14,210	3,700
Repayment of loans		(204)	(355)
Share repurchased under NCIB		(44)	-
Net cash provided by financing activities		<u>5,555</u>	<u>5,584</u>
Net decrease in cash		(477)	(31)
Effect of foreign exchange on cash		431	(29)
Cash, beginning of year		231	291
Cash, end of the year		<u>\$ 185</u>	<u>\$ 231</u>
Taxes paid		(12)	(49)
Interest paid		(443)	(2,341)
Supplemental non-cash information			
Shares issued to settle debt	18	50	-
Change in value of investments	10	(7)	(6)

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

Patagonia Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Stated in thousands of U.S. dollars unless otherwise stated)

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

Corporation	Incorporation	Percentage ownership	Functional currency	Business purpose
Patagonia Gold S.A. (“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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee. The policies applied in the Company’s consolidated financial statements are based on IFRS Accounting Standards effective for the year ended December 31, 2023.

The consolidated financial statements were approved by the Company’s Board of Directors on April 26, 2024.

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.

The accounting policies applied in the consolidated financial statements are presented in note 4 and have been applied consistently in all periods presented in the consolidated financial statements, unless otherwise noted.

Patagonia Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Stated in thousands of U.S. dollars unless otherwise stated)

The Company's presentation currency is the US Dollar.

The preparation of the consolidated financial statements require 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 IFRS Accounting Standards 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 4.

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. 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 year ended December 31, 2023, the Company had a net loss of \$6,407 (2022 - \$4,328). As at December 31, 2023, the Company has positive working capital of \$2,100 (2022 – negative working capital \$8,664) and had an accumulated deficit of \$212,227 (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 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 consolidated financial statements.

4. Material accounting policies

The material 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 include 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

The functional currency for the Company and its subsidiaries is determined by the currency of the primary economic environment in which it operates. The Company's functional currency is the Canadian dollar ("CAD") and the Company's subsidiaries have functional currencies in United States dollar ("USD"), Chilean Peso ("CH") and Great Britain Pound ("GBP"). The consolidated financial statements are presented in United States dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognized at the prevailing exchange rates at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated 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. 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 net income.

These financial statements are translated to their USD equivalents using the following methods:

- Income and expenses on the statement of loss and comprehensive loss have been translated using the average exchange rates prevailing during the year;
- Assets and liabilities have been translated using the exchange rate prevailing at the date of the statement of financial position;
- Translation adjustments are recognized in other comprehensive income (loss).

Patagonia Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Stated in thousands of U.S. dollars unless otherwise stated)

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The Company classifies its financial assets into the following categories: those to be measured subsequently at fair value through other comprehensive income (FVOCI), fair value through profit and loss (FVTPL) and those to be held at amortized cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Generally, the Company does not acquire financial assets for the purpose of selling in the short term and does not have any financial assets measured at FVTPL in either the current or prior year. The Company's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows).

See note 22 for the fair value disclosures.

Financial assets held at amortized cost

This classification applies to the Company's cash and trade receivables, and other receivables which are held under a hold to collect business model and which have cash flows that meet the "solely payments of principal and interest" (SPPI) criteria. At initial recognition, trade and other receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortized cost using the effective interest method. Any gain or loss on derecognition or modification of a financial asset held at amortized cost is recognised in the consolidated statements of loss and comprehensive loss.

Financial assets held at fair value through other comprehensive income (FVOCI)

This classification applies to the Company's other financial assets which includes equity investments (note 10). When these financial assets are derecognised, there is no reclassification of fair value gains or losses previously recognised in other comprehensive income.

Impairment of financial assets

A forward-looking expected credit loss (ECL) review is required for financial assets held at amortized cost. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The Company applies the "simplified approach" to trade receivable balances with the exception of certain other receivables where general approach is applied, under which a loss allowance for lifetime expected credit losses is recognised for a financial instrument if there has been a significant increase in credit risk (measured using the lifetime probability of default) since initial recognition of the financial asset. The simplified approach in accounting for trade receivables records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating these losses, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The general approach incorporates a review for any significant increase in counterparty credit risk since inception.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are recorded, subsequent to initial recognition, at amortized cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the consolidated statements of loss and comprehensive loss. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the consolidated statements of loss and comprehensive loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Patagonia Gold Corp.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Stated in thousands of U.S. dollars unless otherwise stated)

(e) 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.

(f) 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 statements of loss and comprehensive loss. The Company charges to the consolidated statements of loss and comprehensive 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.

(g) 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 depreciation, depletion and amortization in the consolidated statements of loss and comprehensive loss.

(h) 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 the consolidated statements of loss and comprehensive 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.

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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 the consolidated statements of loss and comprehensive loss.

(i) 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

Fair value is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. The Company's CGUs are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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 lower level of geological confidence and economic modeling.

(j) Reclamation and remediation obligations

The Company records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation and closure activities where the liability is more likely than not to exist and a reasonable estimate can be made of the obligation. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their present values using a risk-free discount rate consistent with the timing of the expected costs, are provided for in full as soon as the obligation to incur such costs arises and can be quantified. On recognition of a full provision, an addition is made to property, plant and equipment of the same amount; this addition is then charged against profits on a unit of production basis over the life of the mine. Closure provisions are updated annually for changes in cost estimates as well as for changes to life of mine reserves, with the resulting adjustments made to both the provision balance and the net book value of the associated non-current asset. The obligation is subsequently adjusted at each period to reflect the passage of time (accretion expense) and changes in the estimated future costs of the underlying obligation.

The Argentine mining regulations require that mine properties 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.

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(k) Income taxes

The income tax expense or benefit consists of current and deferred components.

Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the statement of financial position date in each of the jurisdictions.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent it is probable future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

In accordance with IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”), the Company assesses whether it is probable that a tax authority will accept an uncertain tax treatment used, or planned to be used, in its income tax filings. If the Company concludes that it is probable that a particular tax treatment will be accepted, then it determines the tax position consistently with the tax treatment used or planned to use in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, then it reflects the effect of the uncertainty when determining taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates.

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 consolidated financial statements.

(l) Share-based payments

The Company offers a share option plan for its directors, officers, employees and consultants.

Share options granted to employees and directors are categorised as equity-settled share-based payments. Equity-settled share-based payments are measured at the fair value of goods or services received when the fair value can be reliably estimated. If the fair value of goods and services received cannot be reliably measured, then the fair value of the instrument issued is measured using an appropriate option pricing model at the grant date. For share options granted to directors, officers and employees, the fair value of the options is measured using the Black-Scholes option pricing model. All equity-settled share-based payments are ultimately recognised as an expense in the consolidated statements of loss and comprehensive loss with a corresponding increase 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 recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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(m) 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.

(n) Revenue recognition

The Company recognizes sales revenue in accordance with IFRS 15 when it has satisfied the following criteria:

- The Company and the customer have an identifiable contract and are committed to perform their respective obligations;
- The Company and the customer can identify each other’s rights regarding the goods to be transferred;
- The Company can identify the payment terms for the goods to be transferred;
- The risk, timing or amount of the Company’s future cashflows is expected to change as a result of the contract;
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods that will be transferred to the customer.

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.

(o) Segment reporting

In accordance with IFRS 8 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.

(p) Goodwill

Under the acquisition method of accounting, the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortized; instead it is tested for impairment in the fourth quarter and also when there is an indicator of impairment. At the date of acquisition, goodwill is assigned to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination.

The Company identifies any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the

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recoverable amount of goodwill. An impairment charge is recognized for any excess of the carrying value of goodwill over its recoverable amount. Goodwill impairment charges are not reversible.

(q) Equity

Capital stock represents the proceeds received on the issuance of common shares. Proceeds from unit placements are allocated between common shares and warrants using the relative fair value method. The fair value of the Company's common shares is determined using the closing trading price on the date of issuance, and the fair value of the warrants is determined using the Black-Scholes option-pricing model. The proceeds allocated to warrants are recorded in contributed surplus. Costs directly attributable to the issuance of shares and warrants are treated as a reduction in capital stock and warrants on a pro-rata basis.

(r) 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. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's consolidated 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 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.

(s) 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 adoption of this amendment will not have a material impact on the Company's consolidated financial statements.

5. 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, impairment of mineral properties and provisions 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), Chile (Chilean Peso) and Argentina (U.S. dollar), management considered the indicators of IAS 21 The Effects of Changes in Foreign Exchange.

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.

In particular, management has applied significant judgment over the determination of tax loss carryforwards which have a significant impact on the deferred tax provision recognized in the consolidated financial statements. See note 26 for additional information.

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.

Impairment of mineral properties

The Company is required to make certain judgments in assessing indicators of impairment of mineral properties. Judgment is required to determine if the right to explore will expire in the near future or is not expected to be renewed. Judgment is required to determine whether substantive expenditures on further exploration for and evaluation of mineral resources in specific areas will not be planned or budgeted. Judgment is required to determine if the exploration for and evaluation of mineral resources in specific areas have not led to the commercially viable quantities of mineral resources and the Company will discontinue such activities. Judgment is required to determine whether there are indications that the carrying amount of a mineral property is unlikely to be recovered in full from successful development of the project or by sale.

(b) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS Accounting Standards requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

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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, share-based payments, provisions and inventories. 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.

Share-based payments

The Company determines fair value of stock options issued using the Black-Scholes option-pricing model which requires the input of highly subjective assumptions. These assumptions include estimating the future volatility of the stock price, risk-free rate and future employee turnover rates. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

Warrants

The Company determines fair value of warrants issued using the Black-Scholes option-pricing model which requires the input of highly subjective assumptions. These assumptions include estimating the future volatility of the stock price. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

Provisions

The Company assesses its provision for reclamation and remediation obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Inventories

The measurement of inventories including the determination of its net realizable value involves the use of estimates. Net realizable value is determined with reference to relevant market prices less applicable selling expenses. Estimation is also required in determining the tonnage, recoverable gold and silver, and in determining the remaining costs of completion to bring inventory into its saleable form. Judgment also exists in determining whether to recognize a provision for obsolescence on materials and supplies included in inventories, and estimates are required to determine salvage value. Estimates of recoverable gold or silver on the leach pads are calculated from the quantities of ore placed on the leach pads, the grade of ore placed on the leach pads and a recovery percentage.

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6. Inventories

	December 31, 2023		December 31, 2022
	\$'000		\$'000
Gold held on carbon	\$ 1,708	\$	1,948
Materials and supplies	2,459		2,705
	<u>\$ 4,167</u>	\$	<u>4,653</u>

During the year ended December 31, 2023, the Company expensed \$7,190 (2022 - \$11,471) of inventories on the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 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 \$1,028 (2022 - \$1,475) under cost of sales on the 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.

7. Mineral properties

	Mining assets		Surface rights		Total
	\$'000		acquired		\$'000
	\$'000		\$'000		\$'000
Cost					
Balance – January 1, 2022	\$ 27,074	\$	6,459	\$	33,533
Additions	-		103		103
Disposal	(319)		-		(319)
Balance - December 31, 2022	<u>\$ 26,755</u>	\$	<u>6,562</u>	\$	<u>33,317</u>
Additions	-		-		-
Disposal	(32)		-		(32)
Balance – December 31, 2023	<u>\$ 26,723</u>	\$	<u>6,562</u>	\$	<u>33,285</u>
Depletion					
Balance - January 1, 2022	\$ 16,513	\$	908	\$	17,421
Change for the year	1,322		-		1,322
Impairment	(319)		-		(319)
Balance - December 31, 2022	<u>\$ 17,516</u>	\$	<u>908</u>	\$	<u>18,424</u>
Charge for the year	140		-		140
Disposal	(32)		-		(32)
Balance – December 31, 2023	<u>\$ 17,624</u>	\$	<u>908</u>	\$	<u>18,532</u>
Net book value					
December 31, 2022	<u>\$ 9,239</u>	\$	<u>5,654</u>	\$	<u>14,893</u>
December 31, 2023	<u>\$ 9,099</u>	\$	<u>5,654</u>	\$	<u>14,753</u>

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.

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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 \$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 the December 31, 2022 and December 31, 2023, the carrying value of this property included in mineral properties in \$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 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.

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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, as required by the option agreement, the Company delivered a default notice to Mirasol due to 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 the default.

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 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.

8. Reclamation and remediation obligations

The Company is legally required to perform reclamation on sites where environmental disturbance is caused by the development or on-going 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 December 31, 2023, the total amount of undiscounted cash flows required to settle the estimated obligation is \$3,524 (2022 - \$4,396) which has been discounted using a weighted average risk-free rate of 4.76% (2022 – 4.48%) and an inflation rate of 3.35% (2022 – 6.45%).

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

	December 31, 2023	December 31, 2022
	<u>\$'000</u>	<u>\$'000</u>
Reclamation and remediation obligation - beginning of year	\$ 4,069	\$ 6,188
Change in estimate	(1,070)	(2,424)
Accretion expense	282	305
Reclamation and remediation obligation - end of year	<u>\$ 3,281</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 year ended December 31, 2023 and 2022, the change in estimate relates to revisions to the estimated discounted cashflow and inflation rates obligations.

9. Mining rights

	Fomicruz	Minera	Total
	Agreement	Calcatreu	Total
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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	(100)	-	(100)
Exchange differences	-	295	295
Balance – December 31, 2023	<u>\$ 2,788</u>	<u>\$ 13,570</u>	<u>\$ 16,358</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 financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to \$4 million.

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

10. Other financial assets

The Company has short-term investments in equity securities which are recorded at fair value through other comprehensive income (loss). As at December 31, 2023, the fair value of the short-term investments is \$2 (2022 - \$9).

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11. Property, plant and equipment

	Plant	Buildings	Vehicles and	Improvements and	Total
	\$'000	\$'000	equipment	advances	\$'000
			\$'000	\$'000	
Cost					
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	-	-	401	53	454
Disposals	(3)	-	(118)	-	(121)
Transfers	-	-	-	-	-
Balance – December 31, 2023	\$ 15,474	\$ 1,979	\$ 24,872	\$ 1,506	\$ 43,831
Accumulated depreciation					
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	(3)	-	(118)	-	(121)
Depreciation for the year	272	161	1,249	-	1,682
Balance – December 31, 2023	\$ 14,224	\$ 845	\$ 19,346	\$ -	\$ 34,415
Net book value					
December 31, 2022	\$ 1,522	\$ 1,295	\$ 6,374	\$ 1,453	\$ 10,644
December 31, 2023	\$ 1,250	\$ 1,134	\$ 5,526	\$ 1,506	\$ 9,416

12. Receivables

	December 31,	December 31,
	2023	2022
	\$'000	\$'000
Receivable from sales	\$ -	\$ 55
Recoverable value added tax (“VAT”)	123	1,559
Other receivables	229	407
Total	\$ 352	\$ 2,021

13. Other receivables

	December 31,	December 31,
	2023	2022
	\$'000	\$'000
Recoverable value added tax (“VAT”)	\$ 140	\$ 1,234
Other receivables	192	437
Total	\$ 332	\$ 1,671

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14. Bank indebtedness

	December 31, 2023	December 31, 2022
	<u>\$'000</u>	<u>\$'000</u>
A credit facility with a limit of \$9,000, maturity date of December 31, 2023 and interest rate of 7.37% (2022 – 5%) ¹	\$ -	\$ 8,945
A credit facility with an Argentinian bank with a limit of \$618 (500,000,000 Argentinian Peso), maturity date of July 31, 2024 and interest rate of 111%	538	-
	<u>\$ 538</u>	<u>\$ 8,945</u>

1 – Subsequent to the year ended December 31, 2023 the Company closed this credit facility.

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

15. Accounts payable and accrued liabilities

	December 31, 2023	December 31, 2022
	<u>\$'000</u>	<u>\$'000</u>
Trade accounts payable and accrued liabilities	\$ 869	\$ 3,870
Income tax	11	-
Other accruals ¹	809	2,083
Accounts payable to related parties (note 19)	164	285
Total	<u>\$ 1,853</u>	<u>\$ 6,238</u>

1 – As at December 31, 2023, other accruals consist of taxes payable of \$639 (2022 - \$1,690) and accrued salaries of \$170 (2022 - \$393).

16. Long-term debt

	December 31, 2023	December 31, 2022
	<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, 2025 ¹	\$ 31,871	\$ 17,661
Loan secured by assets of the Company at 9% interest per annum, due January 31, 2024	213	417
Accrued interest on debt	4,388	2,327
	<u>\$ 36,472</u>	<u>\$ 20,405</u>
Less current portion	(213)	(386)
	<u>\$ (36,259)</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 year ended December 31, 2023, the loan facility was amended to increase the maximum amount of the loan to \$33,000 and amend the maturity date from December 31, 2024 to December 31, 2025. Other than these changes, 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>	
2024	213
2025	36,259

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17. 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 year. There were no dilutive items outstanding during the year 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:

	For the Years Ended	
	December 31,	December 31,
	2023	2022
Net loss (\$'000)	\$ (6,407)	\$ (4,328)
Weighted average number of common shares outstanding – basic and diluted	470,595,500	466,566,441
Net loss per share – basic and diluted	\$ (0.014)	\$ (0.009)

18. Capital stock

Authorized:

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

Issued:

	Number of common	Amount
	shares outstanding	\$'000
Balance at January 1, 2022 and 2023	466,566,441	\$ 11,244
Shares issued to settle debt	4,495,049	50
Share repurchased	(4,379,000)	(44)
Balance at December 31, 2023	466,682,490	\$ 11,250

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 December 31, 2023 and 2022, there were no preferred shares issued by the Company.

Debt Settlement

During the year ended December 31, 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 year ended December 31, 2022, the Company did not repurchase any shares under the NCIB.

On December 7, 2023, 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 15,000,000 common shares (the “Shares”) (representing approximately 3.2% of its 469,069,490 issued and outstanding common shares as of November 27, 2023 over a twelve (12) month period commencing on December 11, 2023.

During the year ended December 31, 2023 the Company repurchased 4,379,000 common shares under the NCIB for \$44.3 at an average price of CAD 0.014 per share.

Subsequent to the year ended December 31, 2023, the Company repurchased 1,631,000 common shares under the NCIB for \$28.6 at an average price of CAD 0.024 per share.

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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 consolidated statements of loss and comprehensive income (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.

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

During year ended December 31, 2023, 7,000,000 stock options issued to employees were forfeited as the employees are no longer employed by the Company.

As at December 31, 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	0.74	September 25, 2024
\$0.160	5,700,000	-	5,700,000	1.62	August 13, 2025
	10,250,000	-	10,250,000	1.23	

During the year ended December 31, 2023, the Company recognized share-based payments expense of \$135 (2022 - \$349).

Agent compensation options

	Year ended December 31, 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 year	2,509,586	\$ 0.09	2,509,586	\$ 0.09
Issued	-	-	-	-
Balance, end of year	2,509,586	\$ 0.09	2,509,586	\$ 0.09

As at December 31, 2023, the following Agent compensation options were outstanding:

Exercise price (CAD)	Number outstanding	Remaining Contractual Life (Years)	Expiry date
\$0.09	2,509,586	0.19	March 10, 2024

Subsequent to the year ended December 31, 2023, the agent compensation options expired unexercised.

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Warrants

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

As at December 31, 2023, the following warrants were outstanding:

Exercise price (CAD)	Number outstanding	Remaining Contractual Life (Years)	Expiry date
\$0.13	104,086,063	0.19	March 10, 2024

Subsequent to the year ended December 31, 2023, the warrants expired unexercised.

19. 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 consolidated financial statements are as follows:

Name and Principal Position	Remuneration, fees or interest expense	Loans or Advances	Remuneration, fees, or interest payments	Loan payments	Included in	
					Included in Accounts Payable	Loan Payable and Long-term debt
Year ended December 31, 2023 and 2022					As at December 31, 2023 and 2022	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
A company controlled by a director	2023	63	-	134	-	158
- admin, office, and interest expenses	2022	63	-	-	-	229
Directors	2023	474	-	524	-	6
- salaries and wages	2022	439	-	425	-	56

As at December 31, 2023, the Company has \$164 (2022 - \$285) in accounts payable owing to related parties which relate primarily to directors' fees and office rent.

Management Compensation

The remuneration of Directors and Officers of the Company was as follows:

	Year ended December 31,	
	2023	2022
Salaries and benefits	\$ 450	\$ 608
Director's fees	24	64
Share-based compensation	77	216
	\$ 551	\$ 888

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20. Depreciation, depletion and amortization

	Year ended December 31,	
	2023	2022
Depreciation of property, plant and equipment	\$ 1,682	\$ 2,014
Depreciation allocated to inventory	(1,424)	(1,537)
Depletion of mineral properties	140	1,322
Amortization of mining rights	100	100
	\$ 498	\$ 1,899

21. Administrative expenses

	Year ended December 31,	
	2023	2022
	\$'000	\$'000
General and administrative	\$ 3,679	\$ 3,272
Argentina statutory taxes	328	908
Professional fees	590	787
Operating leases	55	61
Directors' remuneration	157	203
Consulting fees	18	64
Transaction taxes expense	40	196
Total	\$ 4,867	\$ 5,491

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

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
<i>Amortized cost</i>				
Cash	185	185	231	231
Receivables and other receivable ¹	421	421	899	899
<i>Fair value through other comprehensive income</i>				
Other financial assets (Level 1)	2	2	9	9
Financial liabilities				
<i>Amortized cost</i>				
Bank indebtedness	538	538	8,945	8,945
Accounts payable and accrued liabilities	1,853	1,853	6,238	6,238
Loan payable and current portion of long-term debt	213	213	386	386
Long-term debt	36,259	36,259	20,019	20,019

¹ Amounts exclude value added tax ("VAT") recoverable of \$263 and \$2,793 as December 31, 2023 and 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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As at December 31, 2023, the Company had financial assets and liabilities denominated in the following foreign currencies:

	CAD	ARS	USD	GBP
Cash	\$ 25	\$ 4	\$ 156	\$ -
Other working capital (deficit) items - net	(135)	(1,750)	(479)	(11)
Non-current financial assets	-	192	-	2
Non-current financial liabilities	-	-	(36,259)	-
	<u>(110)</u>	<u>(1,554)</u>	<u>(36,582)</u>	<u>(9)</u>

As at December 31, 2023, a 10% increase in the USD/CAD exchange rate will result in a decrease in net loss of \$10 and a 10% increase in the USD/ARS exchange rate will result in increase in net loss of \$12.

As at December 31, 2023, a 10% increase in the USD/ARS exchange rate will result in a decrease in net loss of \$141 and a 10% increase in the USD/CAD exchange rate will result in increase in net loss of \$173.

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 December 31, 2023, the Company had total cash balances of \$185 (2022 - \$231) at financial institutions, where \$Nil (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 December 31, 2023, the Company had current assets of \$4,704 (2022 - \$6,905) to settle current liabilities of \$2,604 (2022 - \$15,569).

The contractual obligations of the Company's liabilities are as follows:

As of December 31, 2023

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Bank indebtedness	538	538	-	-	-
Accounts payable and accrued liabilities	1,689	1,689	-	-	-
Accounts payable with related parties	164	164	-	-	-
Loan payable and current portion of long-term debt	213	213	-	-	-
Long-term debt	36,259	-	36,259	-	-
Reclamation and remediation obligations	3,281	-	3,281	-	-
Total	<u>42,144</u>	<u>2,604</u>	<u>39,540</u>	<u>-</u>	<u>-</u>

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, 2023 and 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.

23. 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 consolidated statements of loss and comprehensive income (loss). During the year ended December 31, 2023, the Company recognized a gain of \$5,356 (2022 – \$10,709).

24. 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 year ended December 31, 2023

	Argentina								Total
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America		
Revenue	\$ 2,644	\$ 5,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,220
Cost of sales	(2,232)	(7,670)	-	-	-	-	-	-	(9,902)
Gross profit (loss)	\$ 412	\$ (2,094)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,682)
Operating expense									
Exploration expense	\$ -	\$ -	\$ (524)	\$ (1,026)	\$ (2,187)	\$ -	\$ -	\$ -	\$ (3,737)
Repair and maintenance	-	-	-	(724)	-	-	-	-	(724)
Depreciation, depletion and amortization	-	(140)	(18)	-	(240)	(100)	-	-	(498)
Administrative expenses	-	-	(615)	-	(3,356)	(65)	(831)	-	(4,867)
Share-based payments	-	-	-	-	-	-	(135)	-	(135)
Interest expense	-	-	(53)	-	(517)	(685)	(1,533)	-	(2,788)
Total operating expense	\$ -	\$ (140)	\$ (1,210)	\$ (1,750)	\$ (6,300)	\$ (850)	\$ (2,499)	\$ -	\$ (12,749)
Other income/(expense)									
Interest income	\$ -	\$ -	\$ 1	\$ -	\$ 231	\$ -	\$ -	\$ -	\$ 232
Gain/(loss) on foreign exchange	-	-	747	-	550	(415)	184	-	1,066
Accretion expense	(159)	(18)	-	(105)	-	-	-	-	(282)
Other income	-	-	-	-	5,356	-	-	-	5,356
Total other income/(expense)	\$ (159)	\$ (18)	\$ 748	\$ (105)	\$ 6,137	\$ (415)	\$ 184	\$ -	\$ 6,372
Income/(loss) – before income tax	\$ 253	\$ (2,252)	\$ (462)	\$ (1,855)	\$ (163)	\$ (1,265)	\$ (2,315)	\$ -	\$ (8,059)
Income tax/(benefit)	-	-	29	134	1,489	-	-	-	1,652
Net income/(loss)	\$ 253	\$ (2,252)	\$ (433)	\$ (1,721)	\$ 1,326	\$ (1,265)	\$ (2,315)	\$ -	\$ (6,407)

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For the year ended December 31, 2022

	Argentina								UK	North America	Total
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile						
Revenue	\$ 5,981	\$ 6,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,340	
Cost of sales	(7,363)	(7,272)	-	-	-	-	-	-	-	(14,635)	
Gross profit (loss)	\$ (1,382)	\$ (913)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,295)	
Operating expense											
Exploration expense	\$ -	\$ -	\$ (1,006)	\$ (1,178)	\$ (3,190)	\$ -	\$ -	\$ -	\$ -	\$ (5,374)	
Repair and maintenance	-	-	-	(513)	-	-	-	-	-	(513)	
Depreciation, depletion and amortization	(1,080)	(242)	(23)	-	(454)	(100)	-	-	-	(1,899)	
Administrative expenses	-	-	(609)	-	(3,899)	(52)	(931)	-	-	(5,491)	
Share-based payments	-	-	-	-	-	-	(349)	-	-	(349)	
Interest expense	-	-	(42)	-	(2,337)	(560)	(456)	-	-	(3,395)	
Total operating expense	\$ (1,080)	\$ (242)	\$ (1,680)	\$ (1,691)	\$ (9,880)	\$ (712)	\$ (1,736)	\$ -	\$ -	\$ (17,021)	
Other income/(expense)											
Interest income	\$ -	\$ -	\$ 11	\$ -	\$ 183	\$ -	\$ -	\$ -	\$ -	\$ 194	
Gain/(loss) on foreign exchange	-	-	(1,806)	-	3,820	897	(483)	-	-	2,428	
Accretion expense	(163)	(23)	-	(119)	-	-	-	-	-	(305)	
Other income	-	-	3,809	-	6,900	-	-	-	-	10,709	
Total other income/(expense)	\$ (163)	\$ (23)	\$ 2,014	\$ (119)	\$ 10,903	\$ 897	\$ (483)	\$ -	\$ -	\$ 13,026	
Income/(loss) – before income tax	\$ (2,625)	\$ (1,178)	\$ 334	\$ (1,810)	\$ 1,023	\$ 185	\$ (2,219)	\$ -	\$ -	\$ (6,290)	
Income tax/(benefit)	-	-	(32)	13	1,981	-	-	-	-	1,962	
Net income/(loss)	\$ (2,625)	\$ (1,178)	\$ 302	\$ (1,797)	\$ 3,004	\$ 185	\$ (2,219)	\$ -	\$ -	\$ (4,328)	

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	Total Assets		Total liabilities	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	\$'000	\$'000	\$'000	\$'000
Argentina – Cap-Oeste	\$ 12,623	\$ 12,191	\$ 873	\$ 2,559
Argentina – Lomada	2,676	5,792	1,198	2,044
Argentina – Calcatreu	15,023	15,045	350	700
Argentina – Martha & La Josefina	10,990	11,059	807	2,482
Argentina and Chile	4,002	6,009	2,665	5,320
United Kingdom	7	60	9,981	14,180
North America	4,253	4,138	26,440	14,209
Total	\$ 49,574	\$ 54,294	\$ 42,314	\$ 41,494

25. 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 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 December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
	\$'000	\$'000
Bank indebtedness	\$ 538	\$ 8,945
Loan payable and current portion of long-term debt	213	386
Long-term debt	36,259	20,019
Shareholders' equity attributable to the parent	8,870	14,304
Total	\$ 45,880	\$ 43,654

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26. Income taxes

(a) Income tax expense (benefit)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax expense (benefit)		
Current period	\$ 15	\$ 5
Prior period tax adjustment	-	(9)
Deferred tax expense (benefit)		
Current period	1,624	376
Prior period tax adjustments	(43)	(2,334)
Total income tax expense (benefit)	<u>\$ (1,652)</u>	<u>\$ (1,962)</u>

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss before tax	(8,059)	\$ (6,290)
Statutory income tax rate	25%	25%
Expected income tax (benefit)	\$ (2,015)	\$ (1,573)
Increase (decrease) resulting from:		
Non-taxable items	(2,183)	2,097
Change in unrecognized deferred tax assets	393	(40)
Foreign exchange adjustments	2,885	716
Tax rate changes, tax rate differences	(689)	(819)
Prior period tax adjustments	(43)	(2,343)
Total income tax expense (benefit)	<u>\$ (1,652)</u>	<u>\$ (1,962)</u>

During the year ended December 31, 2023, the Company has applied IFRIC 23 in recording the current and deferred income tax provision with regards to an adjustment for tax inflation to its accumulated loss carryforward balance. Based on the guidelines of IFRIC 23 and in accordance with the opinions of the Company's legal and tax advisors, the Company has concluded that it probable that the tax authority will accept this inflation adjustment and has updated the loss carryforwards using the wholesale domestic price index, as indicated in Article 19 of the Argentine income tax law. The Company recognizes the related deferred tax asset only to the extent that there is sufficient future taxable income for the use of the loss carryforwards.

(b) Components of deferred tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deferred tax assets are attributable to the following:		
Property, plant and equipment	\$ 47	\$ 249
Mineral properties	153	255
Loss carryforwards	3,327	2,605
Other	1,729	1,728
Deferred tax assets	<u>5,256</u>	<u>4,837</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	\$ (2,832)	\$ (4,079)
Mineral properties	(2,374)	(2,374)
Other	(220)	(221)
Deferred tax liabilities	(5,426)	(6,674)
Set-off of deferred tax assets	5,256	4,837
Net deferred tax liability	\$ (170)	\$ (1,837)

(c) Movement of deferred tax assets and liabilities

	<u>Balance December 31, 2022</u>	<u>Recognized in net income (loss)</u>	<u>Balance December 31, 2023</u>
Property, plant and equipment	\$ 249	\$ (202)	\$ 47
Mineral properties	255	(102)	153
Loss carryforwards	2,605	722	3,327
Other	1,728	1	1,729
Property, plant and equipment	(4,079)	1,247	(2,832)
Mineral properties	(2,374)	-	(2,374)
Other	(221)	1	(220)
	<u>\$ (1,837)</u>	<u>\$ 1,667</u>	<u>\$ (170)</u>

	<u>Balance December 31, 2021</u>	<u>Recognized in net income (loss)</u>	<u>Balance December 31, 2022</u>
Property, plant and equipment	\$ 615	\$ (366)	\$ 249
Mineral properties	374	(119)	255
Loss carryforwards	1,000	1,605	2,605
Other	2,489	(761)	1,728
Property, plant and equipment	(5,678)	1,599	(4,079)
Mineral properties	(2,374)	-	(2,374)
Other	(221)	-	(221)
	<u>\$ (3,795)</u>	<u>\$ 1,958</u>	<u>\$ (1,837)</u>

(d) Loss carryforwards

The Company and its subsidiaries have tax loss carryforwards within the jurisdictions in which they operate. These loss carryforwards expire between 2024 and 2043. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	116,253	110,461
Tax losses	28,768	24,349
	<u>145,021</u>	<u>134,810</u>

27. Subsequent events

Subsequent to the year ended December 31, 2023, the following events occurred:

- a) On February 27, 2024, the Company entered into an agreement (the “Agreement”) with Pan American Silver Corp. (PAAS) pursuant to which it agreed to reacquire COSE in exchange for assuming PAAS’s costs and liabilities in relation to COSE (the “Transaction”). The Company sold COSE to PAAS in 2018 and PAAS closed the COSE mine in 2022, after mining the known, main COSE mineral deposit. The Company is not making a monetary payment to PAAS in connection with the Transaction but has agreed to assume the remaining closure costs of COSE, which are mainly related to ongoing environmental monitoring. The transaction was closed on April 12, 2024.

By reacquiring COSE, the Company has consolidated its holding in the El Tranquilo concession block, which holds the Company’s Cap Oeste Project, together with several other prospects and mineral occurrences.

- b) Refer to notes 14 and 18 for other subsequent event transactions.