

Golden Minerals Co  
Form 10-K  
March 02, 2018  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from            to

Commission file number 1-13627

GOLDEN MINERALS COMPANY

(Exact Name of Registrant as Specified in its Charter)

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DELAWARE (State of Incorporation or Organization)	26-4413382 (I.R.S. Employer Identification No.)
350 Indiana Street, Suite 800 Golden, Colorado (Address of principal executive offices)	80401 (Zip Code)

(303) 839-5060

(Registrant's telephone number, including area code)

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

Title of each class Common Stock, \$0.01 par value	Name of each exchange on which registered NYSE American
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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer      Non accelerated filer      Smaller reporting company  
Emerging growth company

(Do not check if a smaller  
reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes    No

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2017 was approximately \$26,478,366, based on the closing price of the registrant's common stock of \$0.56 per share on the NYSE American on June 30, 2017. For the purpose of this calculation, the registrant has assumed that its affiliates as of June 30, 2017 included all directors and officers and one shareholder that held approximately 46% of its outstanding common stock. The number of shares of common stock outstanding on February 27, 2018 was 91,929,709.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2018 Annual Meeting of Stockholders are incorporated by

reference in Part III of this annual report on Form 10-K.

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FORM 10-K

YEAR ENDED DECEMBER 31, 2017

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References to “Golden Minerals, the “Company,” “our,” “we,” or “us” mean Golden Minerals Company, its predecessors and consolidated subsidiaries, or any one or more of them, as the context requires. Many of the terms used in our industry are technical in nature. We have included a glossary of some of these terms below.

## FORWARD-LOOKING STATEMENTS

Some information contained in or incorporated by reference into this annual report on Form 10-K may contain forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable securities laws. We use the words “anticipate,” “continue,” “likely,” “estimate,” “expect,” “may,” “could,” “will,” “project,” “should,” “believe” expressions (including negative and grammatical variations) to identify forward-looking statements. These statements include comments relating to our plans, expectations and assumptions concerning the oxide plant lease, including the expected term, anticipated revenues, and potential future tailings expansion; the El Quevar project, including timing and expectations of evaluation activities; the Santa Maria property, including the PEA results (including life of mine and production expectations), and other expectations regarding the project, including future drilling plans, timing of initial drill results, expansion potential for the existing deposit and general cost expectations; the Rodeo property, including the Company’s general evaluation plans and cost expectations; the Celaya property, including farm-out terms and possible future drill testing; the Mogotes property, including future drilling plans and evaluation activities; our financial outlook in 2018, including anticipated income and expenditures during the year; expected need for external financial and statements concerning our financial condition, business strategies and business and legal risks. Although we believe the expectations and assumptions reflected in those forward-looking statements are reasonable, we cannot assure you that these expectations and assumptions will prove to be correct. Our actual results could differ materially from those expressed or implied in these forward-looking statements as a result of various factors described in this annual report on Form 10-K, including:

Lower revenue than anticipated from the oxide plant lease, which could result from delays or problems at the third party's mine or at the oxide plant, permitting problems at the third party's mine or the oxide plant, delays in constructing additional tailings capacity at the oxide plant, earlier than expected termination of the lease or other causes;

- Higher than anticipated care and maintenance costs at the Velardeña Properties in Mexico or at El Quevar in Argentina;
- Continued decreases or insufficient increases in silver and gold prices;

Whether we are able to raise the necessary capital required to continue our business on terms acceptable to us or at all, and the likely negative effect of continued low silver and gold prices or unfavorable exploration results;

Unfavorable results from exploration at the Santa Maria, Rodeo, Yoquivo, Mogotes or other exploration properties and whether we will be able to advance these or other exploration properties;

Risks related to the El Quevar project in Argentina, including unfavorable results from our evaluation activities, the feasibility and economic viability and unexpected costs of maintaining the project, and whether we will be able to find a joint venture partner or secure adequate financing to further advance the project;

Variations in the nature, quality and quantity of any mineral deposits that are or may be located at the Velardeña Properties or the Company's exploration properties, changes in interpretations of geological information, and unfavorable results of metallurgical and other tests;



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- Whether we will be able to mine and sell minerals successfully or profitably at any of our current properties at current or future silver and gold prices and achieve our objective of becoming a mid-tier mining company;

Potential delays in our exploration activities or other activities to advance properties towards mining resulting from environmental consents or permitting delays or problems, accidents, problems with contractors, disputes under agreements related to exploration properties, unanticipated costs and other unexpected events;

Our ability to retain key management and mining personnel necessary to successfully operate and grow our business;

Economic and political events affecting the market prices for gold, silver, zinc, lead and other minerals that may be found on our exploration properties;

Political and economic instability in Mexico, Argentina, and other countries in which we conduct our business and future actions of any of these governments with respect to nationalization of natural resources or other changes in mining or taxation policies;

- Volatility in the market price of our common stock; and

The factors set forth under “Risk Factors” in Item 1A of this annual report on Form 10-K.

Many of these factors are beyond our ability to control or predict. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties. You should not unduly rely on any of our forward-looking statements. These statements speak only as of the date of this annual report on Form 10-K. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect future events or developments. All subsequent written and oral forward-looking statements attributable to us and persons acting on our behalf are qualified in their entirety by the cautionary statements contained in this section and elsewhere in this annual report on Form 10-K.

**CAUTIONARY STATEMENT REGARDING MINERALIZED MATERIAL**

“Mineralized material” as used in this annual report on Form 10-K, although permissible under the United States Securities and Exchange Commission’s (“SEC”) Industry Guide 7, does not indicate “reserves” by SEC standards. We cannot be certain that any deposits at the Velardeña Properties, the El Quevar, Santa Maria or Rodeo properties or any deposits at our other exploration properties, will ever be confirmed or converted into SEC Industry Guide 7 compliant

“reserves”. Investors are cautioned not to assume that all or any part of the disclosed mineralized material estimates will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted. In addition, in this annual report on Form 10-K we also modify our estimates made in compliance with National Instrument 43-101 to conform to SEC Industry Guide 7 for reporting in the United States. Mineralized material is substantially equivalent to measured and indicated mineral resources (exclusive of reserves) as disclosed for reporting purposes in Canada, except that the SEC only permits issuers to report “mineralized material” in tonnage and average grade without reference to contained ounces.

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CONVERSION TABLE

In this annual report on Form 10-K, figures are presented in both United States standard and metric measurements. Conversion rates from United States standard measurement systems to metric and metric to United States standard measurement systems are provided in the table below. All currency references in this annual report on Form 10-K are to United States dollars, unless otherwise indicated.

U.S. Unit	Metric Measure	Metric Unit	U.S. Measure
1 acre	0.4047 hectares	1 hectare	2.47 acres
1 foot	0.3048 meters	1 meter	3.28 feet
1 mile	1.609 kilometers	1 kilometer	0.62 miles
1 ounce (troy)	31.103 grams	1 gram	0.032 ounces (troy)
1 ton	0.907 tonnes	1 tonne	1.102 tons

GLOSSARY OF SELECTED MINING TERMS

“Base Metal” means a classification of metals usually considered to be of low value and higher chemical activity when compared with the precious metals (gold, silver, platinum, etc.). This nonspecific term generally refers to the high-volume, low-value metals copper, lead, tin, and zinc.

“Breccia” means rock consisting of fragments, more or less angular, in a matrix of finer-grained material or of cementing material.

“Calcareous Clastic” means sedimentary rock composed of siliciclastic particles usually of conglomerate, sand, or silt-size and cemented by calcium carbonate in the form of calcite.

“Claim” means a mining interest giving its holder the right to prospect, explore for and exploit minerals within a defined area.

“Concentrates” means the clean product of ore or metal separated from its containing rock or earth by froth flotation or other methods of mineral separation.

“Concession” means a grant or lease of a tract of land made by a government or other controlling authority in return for stipulated services or a promise that the land will be used for a specific purpose.

“Core Drill” means a rotary type of rock drill that cuts a core of rock and is recovered in long cylindrical sections, two centimeters or more in diameter.

“Deposit” means an informal term for an accumulation of minerals.

“Development Stage” means a project with an established resource, not in production, engaged in the process of additional studies preparing for completion of a feasibility study or for commercial extraction.

“Diorite” means a grey to dark grey intermediate intrusive igneous rock composed principally of plagioclase feldspar (typically andesine), biotite, hornblende, and/or pyroxene.

“Epithermal Calcite-Quartz” means deposits, typically occurring in veins, of calcite-quartz from hydrothermal fluids at shallow depths under conditions in the lower ranges of temperature and pressure.

“Euhedral” means a well-developed degree of which mineral grains show external crystal faces (fully crystal-faced).

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“Exploration Stage” means a project that is not yet in either the Development Stage or Production Stage.

“Feasibility Study” means an engineering study designed to define the technical, economic, and legal viability of a mining project with a high degree of reliability.

“Flotation” means the separating of finely crushed minerals from one another by causing some to float in a froth and others to remain in suspension in the pulp. Oils and various chemicals are used to activate, make floatable, or depress the minerals.

“Formation” means a distinct layer of sedimentary rock of similar composition.

“Fracture System” means a set or group of contemporaneous fractures related by stress.

“Grade” means the metal content of ore, usually expressed in troy ounces per ton (2,000 pounds) or in grams per ton or metric tonnes which contain 2,204.6 pounds or 1,000 kilograms.

“Laramide Orogeny” means a period of mountain building in western North America, which started in the Late Cretaceous age, 70 to 80 million years ago, and ended 35 to 55 million years ago.

“Mineralization” means the concentration of metals within a body of rock.

“Mineralized Material” means a mineralized body that has been defined by appropriate drilling and/or underground sampling to establish continuity and support an estimate of tonnage and an average grade of the selected metals.

“Mining” means the process of extraction and beneficiation of mineral reserves or mineral deposits to produce a marketable metal or mineral product. Exploration continues during the mining process and, in many cases, mineral reserves or mineral deposits are expanded during the life of the mine activities as the exploration potential of the deposit is realized.

“Monzodiorite” means coarse-grained igneous rock consisting of essential plagioclase feldspar, orthoclase feldspar, hornblende and biotite, with or without pyroxene, with plagioclase being the dominant feldspar making up 6% to 90% of the total feldspar and varying from oligoclase to andesine in composition. The presence of the orthoclase feldspar distinguishes this rock from a diorite.

“National Instrument 43-101” or “NI 43-101” means the standards of disclosure for mineral projects prescribed by the Canadian Securities Administrators.

“Net Smelter Return Royalty” means a defined percentage of the gross revenue from a resource extraction operation, less a proportionate share of transportation, insurance, and processing costs.

“Open Pit” means a mine working or excavation open to the surface.

“Ore” means material containing minerals that can be economically extracted.

“Outcrop” means that part of a geologic formation or structure that appears at the surface of the earth.

“Oxide” means mineralized rock in which some of the original minerals have been oxidized (i.e., combined with oxygen).

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“Precious Metal” means any of several relatively scarce and valuable metals, such as gold, silver, and the platinum-group metals.

“Preliminary Economic Assessment” or “PEA” means a study, other than a pre-Feasibility or Feasibility Study, that includes an economic analysis of the potential viability of mineral resources.

“Probable Mineral Reserves” means mineral reserves for which quantity and grade and/or quality are computed from information similar to that used for Proven Mineral Reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for Proven Mineral Reserves, is high enough to assume continuity between points of observation.

“Production Stage” means a project that is actively engaged in the process of extraction and beneficiation of mineral reserves or mineral deposits to produce a marketable metal or mineral product.

“Proven Mineral Reserves” means mineral reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

“Reclamation” means the process of returning land to another use after mining is completed.

“Recovery” means that portion of the metal contained in the ore that is successfully extracted by processing, expressed as a percentage.

“Mineral Reserves” means that part of a mineral deposit that could be economically and legally extracted or produced at the time of mineral reserve determination.

“Sampling” means selecting a fractional part of a mineral deposit for analysis.

“Sediment” means solid fragmental material that originates from weathering of rocks and is transported or deposited by air, water, or ice, or that accumulates by other natural agents, such as chemical precipitation from solution or secretion

by organisms, and that forms in layers on the earth's surface at ordinary temperatures in a loose, unconsolidated form.

“Sedimentary” means formed by the deposition of Sediment.

“Silver Equivalent” means silver and gold only, with gold converted to silver equivalents at a 70 to 1 ratio.

“Skarn” means a coarse-grained metamorphic rock formed by the contact metamorphism of carbonate rock often containing garnet, pyroxene epidote and wollastonite.

“Stock” means discordant igneous intrusion having a surface exposure of less than 40 square miles.

“Sulfide” means a compound of sulfur and some other element.

“Tailings Pond” means a low-lying depression used to confine tailings, the prime function of which is to allow enough time for heavy metals to settle out or for cyanide to be destroyed before water is discharged into the local watershed.

“Tertiary” means the first period of the Cenozoic Era (after the Cretaceous of the Mesozoic Era and before the Quaternary) thought to have covered the span of time between 2 to 3 million years ago and 65 million years ago.



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“Vein” means a fissure, fault or crack in a rock filled by minerals that have traveled upwards from some deep source.

“Waste” means rock lacking sufficient grade and/or other characteristics of ore.

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PART I

ITEMS 1 AND 2: BUSINESS AND PROPERTIES

Overview

We are a mining company holding a 100% interest in the Velardeña and Chicago precious metals mining properties and associated oxide and sulfide processing plants in the State of Durango, Mexico (the “Velardeña Properties”), the El Quevar advanced exploration silver property in the province of Salta, Argentina, and a diversified portfolio of precious metals and other mineral exploration properties located primarily in or near historical precious metals producing regions of Mexico. The Velardeña Properties and the El Quevar advanced exploration property are our only material properties.

We remain focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our Velardeña processing plants. We are also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico. We are also focused on evaluation activities at our El Quevar exploration property in Argentina, and are continuing our exploration efforts on selected properties in our portfolio of approximately 10 exploration properties located primarily in Mexico. Our management team is comprised of experienced mining professionals with extensive expertise in mineral exploration, mine construction and development, and mine operations. Our principal office is located in Golden, Colorado at 350 Indiana Street, Suite 800, Golden, CO 80401, and our registered office is the Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801. We also maintain an office at the Velardeña Properties in Mexico and exploration offices in Argentina and Mexico.

No Proven or Probable Mineral Reserves/Exploration Stage Company

We are considered an exploration stage company under the SEC criteria since we have not demonstrated the existence of proven or probable mineral reserves at our Velardeña Properties or any of our other properties. In SEC Industry Guide 7, the SEC defines a “reserve” as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven or probable mineral reserves are those reserves for which (a) quantity is computed and (b) the sites for inspection, sampling, and measurement are spaced so closely that the geologic character is defined and size, shape and depth of mineral content can be established (proven) or the sites are farther apart or are otherwise less adequately spaced but high enough to assume continuity between observation points (probable). Mineral reserves cannot be considered proven or probable unless and until they are supported by a feasibility study, indicating that the mineral reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable.

Prior to suspending mining and processing at the Velardeña Properties in November 2015, we had revenues from the sale of silver, gold, lead and zinc products from the Velardeña and Chicago mines. We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Any mineralized material discovered or extracted by us should not be considered proven or probable mineral reserves. As of December 31, 2017, none of our mineralized material met the definition of proven or probable mineral reserves. We expect to remain an exploration stage company for the foreseeable future, even though we were extracting and processing mineralized material. We will not exit the exploration stage until such time, if ever, that we demonstrate the existence of proven or probable mineral reserves that meet the guidelines under SEC Industry Guide 7.

## Company History

We were incorporated in Delaware under the Delaware General Corporation Law in March 2009. From March 2009 through September 2011, we focused on the advancement of our El Quevar silver project in Argentina. On September 2, 2011, we completed a business combination transaction with ECU Silver Mining Inc. (“ECU”) and now own

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the Velardeña and Chicago silver, gold and base metals mines located in the Velardeña mining district in the State of Durango, Mexico as further described below under “—Velardeña Properties”. Since the business combination with ECU, we have focused primarily on the further advancement and improvement of the Velardeña Properties, as well as identifying and establishing other mining opportunities with near term prospects.

## Corporate Structure

Golden Minerals Company, headquartered in Golden, Colorado, is the operating entity through which we conduct our business. Following our September 2, 2011 business combination, ECU became a wholly-owned subsidiary of Golden Minerals, and two of ECU’s wholly-owned Mexican subsidiaries hold the assets and rights associated with the Velardeña Properties. We have a number of other wholly-owned subsidiaries organized throughout the world, including in Mexico, Central America, South America, the Caribbean and Europe. We generally hold our exploration rights and properties through subsidiaries organized in the countries in which our rights and properties are located.

## Our Competitive Strengths and Business Strategy

Our business strategy is to establish Golden Minerals as a mid-tier precious metals mining company focused in Mexico and Argentina. We also review strategic opportunities from time to time.

Velardeña Properties. Due to continuing net operating losses, we suspended mining and sulfide processing activities at the Velardeña Properties during the first half of November 2015 in order to conserve the future value of the asset. We have placed the mine and sulfide processing plant on care and maintenance to enable a re-start of either the mine or the mill when mining and processing plans and metals prices support a cash positive outlook for the property. We retained a core group of employees, most of whom have been assigned to operate the oxide plant, which is leased to a third party and not affected by the shutdown.

In July 2015 we entered into a leasing agreement with Minera Hecla, S.A. de C.V. (“Hecla”), a Mexican corporation and wholly-owned subsidiary of Hecla Mining Company, to lease our Velardeña oxide plant for an initial term of 18 months beginning July 1, 2015. The lease agreement contained several lease extension options, and in the third quarter 2016, the lease was extended through June 2017. The 2016 extension included an agreement under which Hecla would construct, at its cost, certain tailings expansion facilities to accommodate Hecla's increased use of tailings capacity in excess of an agreed amount, while preserving flexibility for future tailings expansions. The tailings expansion work began in early 2017 and is now completed. The parties agreed that Hecla would either leave unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility, or construct an additional expansion at its cost. In connection with their agreement regarding tailings impoundment expansions, the parties agreed that Hecla had the right to extend the lease for an additional 18 months following June 30, 2017, or until December 31, 2018. On March 24, 2017, Hecla exercised its right to extend the lease until December 31, 2018.

On August 2, 2017, we granted Hecla an option to extend the lease for an additional period of up to two years ending no later than December 31, 2020 (the “Extension Period”) in exchange for a \$1.0 million cash payment and the purchase of \$1.0 million, or approximately 1.8 million shares, of our common stock issued at a price of \$0.55 per share (the “Hecla Share Issuance”), which was the undiscounted 30-day volume weighted average stock price at the time of the option agreement. Hecla must exercise the option to extend the lease no later than October 3, 2018. All of the fixed fees and throughput related charges remain the same as under the original lease. Similar volume limitations apply to any required future tailings expansions, which Hecla will fund, leaving unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility. Hecla will have the right to terminate the lease during the Extension Period for any reason with 120 days’ notice. Hecla will also have a one-time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if we decide to use the oxide plant for our own purposes before December 31, 2020.

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Hecla is responsible for ongoing operation and maintenance of the oxide plant. During the year ended December 31, 2017, Hecla processed approximately 131,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$6.7 million, comprised of approximately \$3.0 million for direct plant charges plus fixed fees and other net reimbursable costs totaling approximately \$3.7 million. We incurred costs of approximately \$2.1 million related to the services we provide under the lease for a net margin of \$4.5 million during the year ended December 31, 2017. We expect Hecla to continue to process material near the intended approximately 400 tonnes per day rate during 2018, which would generate cash payments to us, net of reimbursable costs, of approximately \$4.6 million during 2018. However, because Hecla has the right to terminate the lease on 60 days' notice, there is no assurance that these amounts will be received.

**El Quevar Project.** We plan to continue to advance El Quevar as much as possible within the limits of our current exploration budget and remain open to finding a partner to contribute to the funding of further exploration and development.

**Exploration Focus.** We are focused on evaluating and searching for mining opportunities in North America (including Mexico) with high precious metal grades and low development costs with near term prospects of mining, and particularly properties within reasonable haulage distances of our Velardeña processing plants. We are also continuing our exploration efforts on selected properties in our portfolio of approximately 10 exploration properties located primarily in Mexico. During the last two years, we have continued to focus on the Santa Maria mine west of Hidalgo de Parral, Chihuahua, including 4,000 meters of core drilling, acquired the right to purchase claims covering the Yoquivo District, Ocampo Municipality, Chihuahua through an option agreement and completed a 2,080 meter core drilling program at the Rodeo property.

During 2018 we plan to focus our exploration efforts primarily at our El Quevar silver project and on exploration and evaluation activities at Santa Maria, Yoquivo and other properties. We expect our expenditures for the exploration program in 2018 to be approximately \$3.0 million.

**Experienced Management Team.** We are led by a team of mining professionals with approximately 60 years of combined experience in exploration, project development, and operations management, primarily in the Americas. Our executive officers have held senior positions at various large mining companies including, among others, Cyprus Amax Minerals Company, INCO Limited, Meridian Gold Company, Barrick Gold Exploration and Noranda Exploration.

## Velardeña Properties

### Location, Access and Facilities

The Velardeña Properties are comprised of two underground mines and two processing plants within the Velardeña mining district, which is located in the municipality of Cuencamé, in the northeast quadrant of the State of Durango,

Mexico, approximately 65 kilometers southwest of the city of Torreón, Coahuila and approximately 140 kilometers northeast of the city of Durango, which is the capital of the State of Durango. The mines are reached by a seven kilometer road from the village of Velardeña which is reached by highway from Torreón and Durango. The Velardeña mining district is situated in a hot, semi-arid region.

Of the two underground mines comprising the Velardeña Properties, the Velardeña mine includes five different major vein systems including the Terneras, Roca Negra, San Mateo, Santa Juana and San Juanes systems. During 2015 we mined from the San Mateo, Terneras and Roca Negra vein systems as well as the Santa Juana vein system to augment grades as mining and processing rates ramped up.

We own a 300 tonne per day flotation sulfide mill situated near the town of Velardeña, which accounted for 100% of our revenue from saleable metals during 2015. The mill includes lead, zinc and pyrite flotation circuits in which we can

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process the sulfide material to make lead, zinc and pyrite concentrates. Most of the silver and gold sold in 2015 was contained in the lead concentrate. During 2015 we processed all our mined material through the sulfide plant.

We also own a conventional 550 tonne per day cyanide leach oxide mill with a Merrill-Crowe precipitation circuit and flotation circuit located adjacent to our Chicago mine, which we previously used to process oxide and mixed sulfide/oxide material from the Velardeña Properties. In July 2015, we leased the oxide plant to Hecla to process its own material through the plant for up to 42 months. Hecla began processing material at the plant in December 2015. In August 2017, we granted Hecla an option to extend the lease for an additional period of up to two years ending no later than December 31, 2020. The option to extend the lease must be exercised no later than October 3, 2018. We continue to evaluate and search for other oxide and sulfide feed sources, focusing on sources within haulage distance of our sulfide and oxide mills at the Velardeña Properties.

Prior to shutdown, we trucked material from the Velardeña mines to the sulfide plant. In January 2012 we completed a tailings pond expansion at the sulfide plant, which is fully permitted and has capacity to treat tailings for approximately four additional years at the average processing rate of 285 tonnes per day. At the oxide plant, we completed the first stage of a new tailings pond during May 2013. The tailings expansion work began in early 2017 and is now completed.

Power for all of the mines and plants is provided through substations connected to the national grid. Water is provided for all of the mines by wells located in the valley adjacent to the Velardeña Properties. We hold title to three wells located near the sulfide plant and hold certificates of registration to three wells located near the oxide plant. We are licensed to pump water from all six wells up to a permitted amount. We are currently pumping from the three wells associated with the oxide plant which is more than sufficient for Hecla's processing operations.



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The following map shows the location of the Velardeña Properties (other than the El Mogote Fraccion concession, which is located southeast of the identified properties).

## Property History

Exploration and mining in the Velardeña district extends back to at least the late 1500s or early 1600s, with large scale mining beginning in 1888 with the Velardeña Mining and Smelter Company. In 1902, the mining properties were acquired by ASARCO, who mined the property until 1926 when the mines were closed. For the next 35 years, the mines were operated from time to time by small companies and local miners. The property was nationalized in 1961, and in 1968 the sulfide processing plant was built by the Mexican government. In 1994, William Resources acquired the concessions comprising the Velardeña Properties. In 1997, ECU Gold (the predecessor to ECU Silver Mining Inc.) purchased from William Resources the subsidiaries that owned the concessions and the oxide processing plant. The sulfide processing plant was acquired in 2004.

## Title and Ownership Rights

We hold the concessions comprising the Velardeña Properties through our wholly-owned Mexican subsidiary Minera William S.A. de C.V. At present, a total of 30 mineral concessions comprise the Velardeña Properties. The Velardeña Properties encompass approximately 895 hectares. The mineral concessions vary in size, and the concessions comprising each mineral property are contiguous within each of the Velardeña and Chicago properties. We are required to

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pay annual concession holding fees to the Mexican government to maintain our rights to the Velardeña mining concessions. In 2017, we made such payments totaling approximately \$69,000 and expect to pay approximately \$70,000 in 2018. We also own the surface rights to 144 hectares that contains the oxide plant, tailings area and access to the Chicago mine, along with surface lands that may be required for potential plant expansions.

The Velardeña Properties are subject to the Mexican ejido system requiring us to contract with the local communities, or ejidos, surrounding our properties to obtain surface access rights needed in connection with our mining and exploration activities. We currently have contracts with two ejidos to secure surface rights for our Velardeña Properties with a total annual cost of approximately \$25,000. We have a ten-year contract with the Velardeña ejido, which provides surface rights to certain roads and other infrastructure at the Velardeña Properties through 2021, and a 25-year contract with the Vista Hermosa ejido, which provides exploration access and access rights for roads and utilities for our Velardeña Properties until 2038.

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The following Velardeña Properties exploitation concessions are identified below by name and number in the Federal government Public Registry of Mining.

Mine/Area	Name of Exploitation Concession	Concession Number
Velardeña	AMPL. DEL ÁGUILA MEXICANA	85580
	ÁGUILA MEXICANA	168290
	LA CUBANA	168291
	TORNASOL	168292
	SAN MATEO NUEVO	171981
	SAN MATEO	171982
	RECUERDO	171983
	SAN LUIS	171984
	LA NUEVA ESPERANZA	171985
	LA PEQUEÑA	171988
	BUEN RETIRO	172014
	UNIFICACIÓN SAN JUAN EVANGELISTA	172737
	UNIFICACIÓN VIBORILLAS	185900
	BUENAVENTURA No. 3	188507
	EL PÁJARO AZÚL	188508
	BUENAVENTURA 2	191305
	BUENAVENTURA	192126
	LOS DOS AMIGOS	193481
	VIBORILLAS NO. 2	211544
	KELLY	218681
Chicago	SANTA TERESA	171326
	SAN JUAN	171332
	LOS MUERTOS	171986
	EL GAMBUSINO	171987
	AMPLIACIÓN SAN JUAN	183883
	MUÑEQUITA	196313
	SAN AGUSTÍN	210764
	EL PISTACHÓN	220407
	LA CRUZ	189474
EL MOGOTE FRACCION I	221401	

We hold water concessions in wells that provide water for the Velardeña Properties. In Mexico water concessions are granted by the National Commission of Water (“CNA”). Currently no new water concessions are being granted by the CNA; however, companies can acquire water concessions through purchase or lease from current concession holders. We hold title to three wells located near the sulfide plant and hold certificates of registration to three wells located near the oxide plant. We are licensed to pump water from all six wells up to a permitted amount. We are required to make annual payments to the CNA to maintain our rights to these wells. In 2017 we made such payments totaling approximately \$25,000 and expect to pay approximately the same amount in 2018. We are required to pay a fine to the CNA each year if



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we use too much water from a particular well or alternatively if we do not use a minimum amount of water from a particular well. During 2017 we did not incur any over usage or under usage fines.

## Geology and Mineralization

The Velardeña district is located at the easternmost limit of the Sierra Madre Occidental on the boundary between the Sierra Madre Oriental and the Mesa Central sub-provinces. Both of these terrains are underlain by Paleozoic and possibly Precambrian basement rocks.

The regional geology is characterized by a thick sequence of limestone and minor calcareous clastic sediments of Cretaceous age, intruded by Tertiary plutons of acidic to intermediate composition. During the Laramide Orogeny, the sediments were folded into symmetrical anticlines and synclines that were modified into a series of asymmetrical overturned folds by a later stage of compression.

A series of younger Tertiary stocks have intruded the older Cretaceous limestone over a distance of approximately 15 kilometers along a northeast to southwest trend. The various mineral deposits of the Velardeña mining district occur along the northeast southwest axis and are spatially associated with the intrusions and their related alteration.

An important northwest-southeast fracture system is associated with these intrusions and, in many cases, acts as the main focus of mineralization. The Velardeña Properties are underlain by a thick sequence of limestone that corresponds to rocks of the Aurora and Cuesta del Cura formations of Lower Cretaceous age.

Several types of Tertiary intrusive rocks are present in the Velardeña district. The largest of these rocks outcrops on the western flank of the Sierra San Lorenzo and underlies a portion of the Velardeña Properties. It is referred to as the Terneras pluton and forms a northeast oriented, slightly elongated body, considered to represent a diorite or monzodiorite that outcrops over a distance of about 2.5 kilometers. The adjacent limestone has been altered by contact metamorphism (exoskarn), and locally the intrusive has been metamorphosed (endoskarn).

The following is a description of the individual geological characteristics and mineralization found on each of the properties comprising the Velardeña and Chicago mines.

## Velardeña Mine

The Santa Juana, Terneras, San Juanes and San Mateo vein deposits on the Velardeña property are hosted by Aurora Formation limestone, the Terneras intrusion and related skarn. The limestone is intruded by a series of multiphase diorite or monzodiorite stocks (Terneras intrusion) and dikes of Tertiary age that outcrop over a strike length of approximately 2.5 kilometers.

Two main vein systems are present on the Velardeña property. The first is a northwest striking system as found in the Santa Juana deposit, while the second is east-west trending and is present in the Santa Juana, Terneras, San Juanes and San Mateo deposits.

In the Santa Juana deposit, two main sets of vein trends are observed. The most significant is a steeply northeast dipping, northwest trending set that has acted as the main conduit for the mineralizing fluids in the Santa Juana deposit. This direction includes both linear and curved northwest vein sets.

The Terneras, San Juanes and San Mateo veins all strike east-west and dip steeply north. The most extensive of these is the Terneras vein, which was mined in the past over a strike length of 1,100 meters. All of these veins are observed to have extensive strike lengths and vertical continuity for hundreds of meters. The mineralogy of the east west system is somewhat different in that it contains less arsenic than the northwest Santa Juana veins.

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Mineralization in the deposits located at the Velardeña mine belongs primarily to epithermal calcite quartz veins with associated lead, zinc, silver, gold and copper mineralization, typical of the polymetallic vein deposits of northern Mexico. The veins are usually thin, normally in the 0.2 meter to 0.5 meter range, but consistent along strike and down dip. Coxcomb and rhythmically banded textures are common.

## Chicago Mine

On the Chicago property, the oldest rocks outcropping are Cretaceous limestone of the Aurora Formation which are highly folded. This limestone is locally metamorphosed by the intrusion of the Tertiary dioritic stocks and dykes. The general geology of the Chicago property is very similar to the geology of the Velardeña property. The Chicago veins strike northeast and dip steeply southeast. Chicago ore tends to be higher in lead and zinc than the Santa Juana ore. Vein widths at Chicago are variable and tend to be narrower than at the Santa Juana deposit, especially in the skarn host.

## 2014 Technical Report

During the first quarter of 2015, the engineering firm of Tetra Tech, Inc. ("Tetra Tech") completed an estimate of mineralized material at the Velardeña Properties, set forth in the following table:

	Tonnes (in thousands)	Silver (Ag) Grade (Grams per tonne)	Gold (Au) Grade (Grams per tonne)	Lead (Pb) Grade %	Zinc (Zn) Grade %
Mineralized Material					
Mineralized Material at December 31, 2014					
Velardeña Mine					
Oxide and mixed	572	295	4.1	1.34	1.07
Sulfide	1,032	274	3.9	1.11	1.42
Chicago Mine					
Oxide and mixed	91	208	3.2	3.77	2.8
Sulfide	98	165	2.8	2.97	3.49
Total Mineralized Material at December 31, 2014	1,793	272	3.8	1.42	1.49

Note: Results may not tie precisely due to rounding.

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The Tetra Tech mineralized material estimate assumed a silver price of \$25 per troy ounce, a gold price of \$1,446 per troy ounce, and a cutoff grade of a net smelter return (“NSR”) of \$100 per tonne.

The following table shows the commodity prices and metallurgical recoveries used to determine the cutoff grade.

		Sulfide Metallurgical Recovery	Oxide Metallurgical Recovery	Mixed Metallurgical Recovery
Metal	Metal Prices*	%	%	%
Silver	\$ 25 (oz)	89	68	50
Gold	\$ 1,446 (oz)	68	71	29
Lead	\$ 0.96 (lb)	83	—	25
Zinc	\$ 0.91 (lb)	83	—	37

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\* Amounts represent three-year average prices.



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The cutoff grade of \$100 NSR per tonne of mineralized material was determined by adding the estimated average costs of mining (\$53 per tonne), processing (\$27 per tonne) and general and administration (\$20 per tonne). The average cost estimates are the same for both the Velardeña and Chicago mines. The NSR value of mineralized material was determined for each type of mineralized material (sulfide, mixed, and oxide) by multiplying a fractional factor that represents an estimated combination of metallurgical recovery, treatment charges, penalties and payment terms by the unit value of each metal and then multiplying by the expected amount of that metal in each block of inventoried material.

The following table shows the reduction in mineralized material reported in the Tetra Tech report that resulted from extraction and processing of mineralized material in 2015. As a result of the shutdown of mining and processing in November 2015, there are no results for 2016 or 2017.

Tonnes (in thousands)	Gold (Au) Grade (Grams per tonne)	Contained Gold (Au) oz.	Silver (Ag) Grade (Grams per tonne)	Contained Silver (Ag) oz. (in thousands)	Lead (Pb) Grade %	Contained Lead (Pb) lbs. (in thousands)	Zinc (Zn) Grade %	Contained Zinc (Zn) lbs. (in thousands)
572	4.1	74,780	295	5,425	1.34	16,898	1.07	13,493
1,032	3.9	127,741	274	9,101	1.11	25,254	1.42	32,307
91	3.2	9,362	208	609	3.77	7,563	2.8	5,617
98	2.8	8,822	165	520	2.97	6,417	3.49	7,540
1,793	3.8	220,406	272	15,655	1.42	56,132	1.49	58,958

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—	—	—	—	—	—	—	—	—
76	2.6	6,371	156	383	0.8	1,343	1.09	1,839
—	—	—	—	—	—	—	—	—
5	1.9	310	117	19	2	220	2.82	311
in								
81	2.6	6,681	154	401	0.87	1,564	1.2	2,150
es								
5								
—	—	—	—	—	—	—	—	—
—	—	(3,063)	—	(290)	—	(522)	—	(547)
—	—	—	—	—	—	—	—	—
—	—	(140)	—	(8)	—	(107)	—	(74)
in								
—	—	(3,203)	—	(297)	—	(629)	—	(621)
ed								
t								
572	4.1	74,780	295	5,425	1.34	16,898	1.07	13,493
956	3.9	118,308	274	8,429	1.11	23,389	1.42	29,921
91	3.2	9,362	208	609	3.77	7,563	2.8	5,617
93	2.8	8,372	165	493	2.97	6,089	3.49	7,155
1,712	3.8	210,522	272	14,956	1.43	53,940	1.49	56,187
ed								
t								

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Note: Results may not tie precisely due to rounding. Additionally, silver ounces, zinc pounds and leads pounds are rounded to the nearest thousand and gold ounces are rounded to the nearest ounce and tonnes. The variance in rounding different commodities and units is for convenience and does not reflect any differences in the level of accuracy of the calculated mineralized material estimate.

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For further detail regarding mineralized material, see “CAUTIONARY STATEMENT REGARDING MINERALIZED MATERIAL”.

Velardeña Properties Activities

In 2017 we incurred approximately \$1.6 million in expenses related to shut down costs and maintenance at our Velardeña Properties as a result of the suspension of mining and processing activities in November 2015. We retained a core group of employees, most assigned to operate the oxide plant that is leased to a third party and not affected by the shutdown. The retained employees also include an exploration group and an operations and administrative group to continue to advance our plans in Mexico, oversee corporate compliance activities, and to maintain and safeguard the longer term value of the Velardeña assets.

In July 2015, we leased our Velardeña oxide plant to a wholly-owned subsidiary of Hecla Mining Company for an initial term of 18 months beginning July 1, 2015. The lease agreement contained several lease extension options, and in the third quarter 2016, the lease was extended through June 2017. The 2016 extension included an agreement under which Hecla would construct, at its cost, certain tailings expansion facilities to accommodate Hecla's increased use of tailings capacity in excess of an agreed amount, while preserving flexibility for future tailings expansions. The tailings expansion work began in early 2017 and is now completed. The parties agreed that Hecla would either leave unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility, or construct an additional expansion at its cost. In connection with their agreement regarding tailings impoundment expansions, the parties agreed that Hecla had the right to extend the lease for an additional 18 months following June 30, 2017, or until December 31, 2018. On March 24, 2017, Hecla exercised its right to extend the lease until December 31, 2018.

On August 2, 2017, we granted Hecla an option to extend the lease for an additional period of up to two years ending no later than December 31, 2020 in exchange for a \$1.0 million cash payment and the purchase of \$1.0 million, or approximately 1.8 million shares, of our common stock issued at a price of \$0.55 per share, which was the undiscounted 30-day volume weighted average stock price at the time of the option agreement. Hecla must exercise the option to extend the lease no later than October 3, 2018. All of the fixed fees and throughput related charges remain the same as under the original lease. Similar volume limitations apply to any required future tailings expansions, which Hecla will fund, leaving unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility. Hecla will have the right to terminate the lease during the Extension Period for any reason with 120 days' notice. Hecla will also have a one-time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if we decide to use the oxide plant for our own purposes before December 31, 2020.

Hecla is responsible for ongoing operation and maintenance of the oxide plant. During the year ended December 31, 2017, Hecla processed approximately 131,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$6.7 million, comprised of approximately \$3.0 million for direct plant charges plus fixed fees and other net reimbursable costs totaling approximately \$3.7 million. We incurred costs of approximately \$2.1 million related to the services we provide under the lease and reported a net operating margin of approximately \$4.5 million during the year ended December 31, 2017. We expect Hecla to continue to process material near the intended

approximately 400 tonnes per day rate during 2018, which would generate cash payments to us, net of reimbursable costs, of approximately \$4.6 million during 2018. However, because Hecla has the right to terminate the lease on sixty days' notice, there is no assurance that these amounts will be received.

#### Mining and Processing

There were no mining or processing activities, other than the Hecla lease, at our Velardeña Properties in 2016 or 2017 as a result of the shutdown of the mining and sulfide processing activities in November 2015. We expect to incur approximately \$0.4 million in quarterly holding costs for as long as mining and processing activities remain suspended.

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### Environmental Matters and Permitting

We hold environmental licenses and environmental impact assessments that allow us to run our mines, plants and tailing facilities at our Velardeña Properties. We are required to update our environmental licenses and environmental impact assessments for expansion of or modification to any of the existing two processing plants. The construction of new infrastructure beyond the current plant facilities also would require additional permitting, which could include environmental impact assessments and land use permits. We are currently finalizing obtaining all permits necessary for expansion of the tailings disposal facility at our oxide plant to accommodate additional capacity required for production by the plant lessee.

### Certain Laws Affecting Mining in Mexico

Mexico, officially the United Mexican States, is a federal constitutional republic in North America and bordered by the United States of America, Belize and Guatemala. Mexico is a federal democratic republic with 31 states and Mexico City. Each state has its own constitution and its citizens elect a governor, as well as representatives, to their respective state congresses. The President of Mexico is the head of the executive federal government. Executive power is exercised by the President, while legislative power is vested in the two chambers of the Congress of the Union. The three constitutional powers are the Judiciary, the Executive and the Legislature which are independent of each other.

### Legislation Affecting Mining

The Mining Law, originally published in 1992 and amended in 1996, 2005, 2006 and 2014, is the primary legislation governing mining activities in Mexico. Other significant legislation applicable to mining in Mexico includes the regulations to the Mining Law, the Federal Law of Waters, the Federal Labour Law, the Federal Law of Fire Arms and Explosives, the General Law on Ecological Balance and Environmental Protection and regulations, the Federal Law of Duties and the Federal Law on Metrology and Standards.

### The Concession System

Under Mexican law, mineral deposits are property of the Mexican republic, and a mining concession, granted by the executive branch of the federal government, is required for the exploration, exploitation and processing of mineral deposits. Mining concessions may only be granted to Mexican individuals domiciled in Mexico or companies incorporated and validly existing under the laws of Mexico. Mexican companies that have foreign shareholders must register with the National Registry of Foreign Investments and renew their registration on an annual basis. Mining

concessions grant rights to explore and exploit mineral deposits but do not grant surface rights over the land where the concession is located. Mining concession holders are required to negotiate surface access with the land owner or holder (e.g., agrarian communities) or, should such negotiations prove unsuccessful, file an application with the corresponding administrative authority (Ministry of Economy or Ministry of Agrarian-Territorial-Urban Development) to obtain an easement, temporary occupancy, or expropriation of the land, as the case may be. An application for a concession must be filed with the Mining Agency or Mining Delegation located closest to the area to which the application relates.

Mining concessions have a term of 50 years from the date on which title is recorded in the Public Registry of Mining. Holders of mining concessions are required to comply with various obligations, including the payment of certain mining duties based on the number of hectares of the concession and the number of years the concession has been in effect. Failure to pay the mining duties can lead to cancellation of the relevant concession. Holders of mining concessions are also obliged to carry out and prove assessment works in accordance with the terms and conditions set forth in the Mining Law and its regulations. The regulations to the Mining Law establish minimum amounts that must be spent or invested on mining activities. A report must be filed in May of each year regarding the assessment works carried out during the preceding year. The mining authorities may impose a fine on the mining concession holder if one or more proof of assessment work reports is not timely filed.

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Pursuant to amendments to the federal corporate income tax law, effective January 2014, additional duties are imposed on mining concession holders; see “—Taxes in Mexico”.

### Environmental Legislation

Mining projects in Mexico are subject to Mexican federal, state and municipal environmental laws and regulations for the protection of the environment. The principal legislation applicable to mining projects in Mexico is the federal General Law of Ecological Balance and Environmental Protection, which is enforced by the Federal Bureau of Environmental Protection, commonly known as “PROFEPA”. PROFEPA is the federal entity in charge of carrying out environmental inspections and negotiating compliance agreements. Voluntary environmental audits, coordinated through PROFEPA, are encouraged under the federal General Law of Ecological Balance and Environmental Protection. PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards. If warranted, PROFEPA may initiate administrative proceedings against companies that violate environmental laws, which proceedings may result in the temporary or permanent closure of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines. According to the Federal Criminal Code, PROFEPA must inform the relevant governmental authorities of any environmental crimes that are committed by a mining company in Mexico.

Concession holders under the exploration stage may submit themselves to comply with the Mexican Official Norm: NOM-120-SEMARNAT-1997, which provides, among other things, that mining exploration activities to be carried out within certain areas must be conducted in accordance with the environmental standards set forth in NOM-120-SEMARNAT-1997; otherwise, concession holders are required to file a preventive report or an environmental impact study prior to the commencement of the exploration, exploitation and processing of mineral resources. An environmental impact study is required for exploitation and processing of mineral resources activities.

In 2014 Mexico developed an Energy sector applicable to private investment companies whereby new mining concessions are now subject to prior approval from the Ministry of Energy. Current mining concessions forming the Velardeña Properties are not subject to or affected by this approval requirement, but any new mining concessions acquired will be subject to this additional approval.

### Taxes in Mexico

Mexico has a federal corporate income tax rate of 30%, and there are no state taxes on corporate net income. In determining their corporate income tax, entities are allowed to subtract from gross income various deductions permitted by law, and they are allowed a ten-year carry-forward of net operating losses. Pursuant to amendments to the federal tax laws effective January 1, 2014, a 10% withholding tax is charged on dividends distributed to shareholders, regardless of the tax residence of the recipient, out of after tax profits. However, in the case of



nonresident shareholders the limitations and tax rates provided in the treaties to avoid double taxation will prevail. A foreign resident company is subject to income tax if it has a permanent establishment in Mexico. In general, a permanent establishment is a place of business where the activities of an enterprise are totally or partially carried out and includes, among others, offices, branches and mining sites.

Under the 2014 amendments to the federal corporate income tax law, titleholders of mining concessions are required to pay an annual special duty of 7.5% of their mining related profits. Titleholders of mining concessions also are required to pay a 0.5% special mining duty, or royalty, on an annual basis, on revenues obtained from the sale of silver, gold and platinum. Both the 7.5% annual special duty and the 0.5% duty are due at the end of March each year. The special duty of 7.5% is generally applicable to earnings before income tax, depreciation, depletion, amortization, and interest. In calculating the special duty of 7.5%, there are no deductions related to depreciable costs from operational fixed assets, but exploration and prospecting depreciable costs are deductible when incurred. Both duties are tax deductible for income tax purposes.

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Mexico has several taxes in addition to income tax that are relevant to most business operations, including (i) the Value Added Tax (“VAT”); (ii) import duties; (iii) various payroll taxes; and (iv) statutorily entitled employee profit sharing (“PTU”). In addition, annual mining concession fees are charged by the government.

VAT in Mexico is charged upon alienation of goods, performance of independent services, grant of temporary use or exploitation of goods, or import of goods or services that occur within Mexico’s borders, at a rate of 16%. There is no VAT in the case of export of goods or services or for the sale of gold, jewelry, and gold metalwork with a minimum gold content of 80%, excluding retail sale to the general public. The sale of mining concessions is subject to VAT as concessions are not considered to be land. VAT paid by a business enterprise on its purchases and expenses may usually be credited against its liability for VAT collected from customers on its own sales. In addition, VAT may also be refunded, or overpayments may be used to offset tax liabilities arising from other federal taxes.

Import duties apply for goods and services entering the country, unless specifically exempted due to a free trade agreement or registered under specific programs like IMMEX, under which we are currently registered. Payroll taxes are payable in most states including Durango and Coahuila, and social security, housing and pension contributions must be made to the federal government when paying salaries.

Employees of Mexico entities are statutorily entitled to a portion of the employer’s pre-tax profits, called PTU. The rate of profit sharing is currently 10% of the employer’s taxable income as defined by the Income Tax law. A taxpayer may reduce its income tax base by an amount equal to the PTU. Certain companies are exempt from paying PTU, which include companies in the extractive industry (principally the mining industry) during the period of exploration.

El Quevar

### Location and Access

Our El Quevar silver project is located in the San Antonio de los Cobres municipality, Salta Province, in the altiplano region of northwestern Argentina, approximately 300 kilometers by road northwest of the city of Salta, the capital city of the province. The project is also accessible by a 300 kilometer dirt and gravel road from the city of Calama in northern Chile. The small village of Pocitos, located about 20 kilometers to the west of El Quevar, is the nearest settlement. We have established a camp approximately 10 kilometers west of the project to house project workers. A high tension power line is located approximately 40 kilometers from the site, and a high pressure gas line devoted to the mining industry and subsidized by the Salta government is located within four kilometers of the El Quevar camp.

The El Quevar project is located near Nevado Peak with altitudes at the concessions ranging from 3,800 to 6,130 meters above sea level. The climate of the area is high mountain desert, with some precipitation in summer (such as snow) and little snow in winter.

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The following map shows the location of the El Quevar project.

### Property History

Mining activity in and around the El Quevar project dates back at least 80 years. Between 1930 and 1950, there was lead and silver extraction of mineralized materials from small workings in the area, but we have no mining records from that period. The first organized exploration activities on the property occurred during the 1970s, although no data from that period remains. Over the last 30 years, several companies have carried out exploration activity in the area, including BHP Billiton, Industrias Peñoles, Mansfield Minerals and Hochschild Mining Group, consisting primarily of local sampling with some limited drilling programs.

### Title and Ownership Rights

According to Argentine law, mineral resources are subject to regulation in the provinces where the resources are located. Each province has the authority to grant mining exploration permits and mining exploitation concession rights to applicants. The Federal Congress has enacted the National Mining Code and other substantive mining legislation, which is applicable throughout Argentina; however, each province has the authority to regulate the procedural aspects of the National Mining Code and to organize the enforcement authority within its own territory.

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In the province of Salta, where the El Quevar project is located, all mining concessions are granted by a judge in the Salta Mining Court. The El Quevar project is comprised of exploitation concessions. Exploitation concessions are subject to a canon payment fee (maintenance fee) which is paid in advance twice a year (before June 30th and December 31st of each calendar year). Each time a new mining concession is granted, concession holders are exempt from the canon payment fee for a period of three years from the concession grant date. However, this exemption does not apply to the grant of vacant exploitation concessions; only to the grant of new mining concessions.

The El Quevar project is currently comprised of 31 mining concessions we hold directly. In total, the El Quevar project encompasses approximately 57,000 hectares. The area of most of our exploration activities at El Quevar is within the concessions that are owned by Silex Argentina S.A., our wholly-owned subsidiary.

We are required to pay a 1% net smelter return royalty on the value of all minerals extracted from the El Quevar II concession and a 1% net smelter return royalty on one-half of the minerals extracted from the Castor concession to the third party from whom we acquired these concessions. We can purchase one half of the royalty for \$1 million in the first two years of production. The Yaxtché deposit is located primarily on the Castor concession. We may also be required to pay a 3% royalty to the Salta Province based on the net smelter value of minerals extracted from any of our concessions less costs of processing. To maintain all of the El Quevar concessions, we paid canon payment fees to the Argentine government of approximately \$116,000 and \$111,000 in 2016 and 2017, respectively. In 2018 we expect to pay approximately \$93,000.

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The following El Quevar mine concessions are identified below by name and file number in the Salta Province Registry of Mines.

Name of Mine Concession	Concession File Number
Quevar II	17114
Quirincolo I	18036
Quirincolo II	18037
Castor	3902
Vince	1578
Armonia	1542
Quespejahuar	12222
Toro I	18332
Quevar Primera	19534
Quevar Novena	20215
Quevar Decimo Tercera	20501
Quevar Tercera	19557
Quevar Vigesimo Tercero	21043
Quevar 10	20219
Quevar Vigesimo Primera	20997
Quevar Vigesimo Septima	22403
Quevar IV	19558
Quevar Vigesimo Cuarto	21044
Quevar 11	20240
Quevar Quinta	19617
Quevar 12	20360
Quevar Decima Quinta	20445
Quevar Sexta	19992
Quevar 19	20706
Quevar Vigesimo Sexta	22087
Quevar Vigesimo Segundo	21042
Quevar Séptima	20319
Quevar Veinteava	20988
MARIANA CANTERA	15190
Arjona II	18080
Quevar Vigesimo Quinto	21054

The surface rights at El Quevar are controlled by the Salta Province. There are no private properties within the concession area. To date, no issues involving surface rights have impacted the project. Although we have unrestricted access to our facilities, we have been granted easements to further protect our access rights.

Geology and Mineralization

The geology of the El Quevar project is characterized by silver-rich veins and disseminations in Tertiary volcanic rocks that are part of an eroded stratovolcano. Silver mineralization at El Quevar is hosted within a broad, generally east-west-trending structural zone and occurs as a series of north-dipping parallel sheeted vein zones, breccias and mineralized

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faults situated within an envelope of pervasively silicified brecciated volcanic rocks. There are at least three sub-parallel structures that extend for an aggregate length of approximately 6.5 kilometers. Several volcanic domes (small intrusive bodies) have been identified and mineralization is also found in breccias associated with these domes, especially where they are intersected by the structures. The silver mineralization at the Yaxtché zone is of epithermal origin. The cross-cutting nature of the mineralization, the assemblage of sulfide and alteration minerals, and the presence of open spaces with euhedral minerals, all point to an origin at shallow to moderate depths (a few hundred meters below surface) from hydrothermal solutions.

### Mineralized Material Estimate

During 2012, we released an estimate of mineralized material at our El Quevar project. This estimate assumed mining of oxide material from an open pit on the east end of the Yaxtché deposit and sulfide material from both the open pit and an underground mine on the western portion of the Yaxtché deposit. The estimate was based on results from 270 core drill holes.

In 2017, Amec Foster Wheeler E&C Services, Inc., a Wood Group PLC company (“Wood”) undertook an analysis and re-modeling of the data utilized in the prior mineralized material estimate using updated geologic controls and a modeling method that optimizes grade. This resulted in an updated mineralized material estimate completed in February 2018. The Wood estimate assumes mining would occur solely underground and would be optimized to maximize potential silver grades. According to the Wood estimate, sulfide mineralized material in the Yaxtché zone, at a cut-off grade of 250 grams per tonne silver, and using a three-year average silver price of \$16.62 per ounce, was 2.6 million tonnes at an average silver grade of 487 grams per tonne.

For further detail regarding mineralized material, see “CAUTIONARY STATEMENT REGARDING MINERALIZED MATERIAL”.

### Exploration and Advancement of El Quevar

The Yaxtché deposit is the primary target currently identified at the El Quevar project. We believe that the El Quevar deposit may be amenable to bulk mining, which could include an open pit on the eastern and central areas of the Yaxtché deposit and bulk underground mining in the western area. Our work indicates that the Yaxtché deposit is at least 2 kilometers in strike length and is continuous laterally and to depths of more than 300 meters below surface in the main area. More recent results also support a possible eastward extension of the Yaxtché deposit and recognize an emerging new mineralized trend five kilometers north of the Yaxtché deposit. We have continued to hold our El Quevar property on care and maintenance until we can fund further exploration ourselves or find a partner to fund further exploration. We have completed environmental baseline studies, and a further environmental impact assessment process would be required to support the permits necessary for construction and mining. If the El Quevar project proceeds to development and construction, we would be required to obtain numerous additional permits from national, provincial and municipal authorities in Argentina.



We spent approximately \$0.8 million and \$0.5 million at our El Quevar project on holding and maintenance costs in 2017 and 2016, respectively. From the inception of our exploration activities in 2004 through December 31, 2017 we have spent approximately \$76.6 million on exploration and related activities at El Quevar. In 2018 we expect to spend approximately \$1.0 million at our El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs.

We are evaluating plans for further exploration drilling to increase the size of high grade silver resources near the Yaxtché deposit. The Yaxtché deposit is open to the west and there are numerous drill intercepts with silver grades of economic interest in the nearby area that represent targets for further expansion. During 2017, we received \$1.1 million in refunds of previous VAT payments made in Argentina during 2012 and 2013. The refunds, available through certain

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provisions in the Argentina Mining Investment Law, have been pending for several years, but were only recently approved for payment by the Argentine tax authority. In February 2018 we received an additional \$138,000 of VAT refunds and we have approximately \$0.1 million of VAT refund claims remaining.

We plan to continue to advance El Quevar as much as possible within the limits of our current exploration budget and remain open to finding a partner to contribute to the funding of further exploration and development.

## Exploration Properties

In addition to El Quevar, we currently control a portfolio of approximately 10 exploration properties located primarily in certain traditional precious metals producing regions of Mexico. We do not consider any of our exploration properties to be material, including those noted below.

In 2018 we plan to focus our exploration efforts primarily on exploration and evaluation activities at Santa Maria, Yoquivo and other properties, primarily in Mexico. During 2018 we expect our expenditures for the exploration program to total approximately \$2.0 million, with approximately \$0.3 million in property holding costs in Mexico and approximately \$0.5 million in administrative and general reconnaissance costs in Mexico.

### Santa Maria

In August 2014, we entered into an option agreement giving us the right to acquire for \$1.2 million the Santa Maria mine, a privately held property comprised of a single mining claim of 18 hectares west of Hildalgo de Parral, Chihuahua State, Mexico. Since 2015, we have completed test mining and processing of 7,500 tons from the Santa Maria mine, with average grades 338 gpt silver and 0.7 gpt gold. In March 2017 a preliminary economic assessment (“PEA”) was completed on our behalf by Tetra Tech, prepared pursuant to Canadian National Instrument 43-101, based on an updated estimate of mineralized material. The PEA presented a base case assessment of developing Santa Maria’s mineral deposit. The PEA contemplates a 38-month underground mining operation at a mining rate of 200 tonnes per day using a combination of cut and fill and other mining techniques, and custom milling at a local third-party flotation mill. Based on the assumptions in the PEA, we believe there may be potential to develop a small mining operation at Santa Maria.

In August 2017, we acquired three additional claims that cover the eastward extension of the Santa Maria vein. The new claims provide a 600 meter potential extension to the strike length of the vein system and add substantial downdip expansion potential. In August 2017, we also commenced a new drill program targeting extensions of the vein deposit described in the PEA and recent estimate of mineralized material with the goal of expanding the existing estimate of mineralized material to improve the overall economics reported in the PEA.

Through the end of 2017, we drilled fourteen holes totaling approximately 3,300 meters, and have received completed assay results showing mineralized intercepts in most of the holes. We increased the drill program from an original 2,000 meters to about 4,800 meters due to geologic complexity along the eastern extension and newly encountered

mineralization on the western extension of the vein system. Based on the results of the 2017 drilling program, we anticipate that we will be able to increase the size of the existing mineralized material estimate, although the extent of that increase has not yet been determined. We are continuing to drill in 2018 and have completed 1,000 meters in five drill holes. We will likely complete another 500 meters in three additional drill holes before completing the program, after which we plan to review the drill results and revise the existing PEA and mineralized material estimate.

We have the right to acquire the Santa Maria property under two separate option agreements representing the total concessions that comprise the property for additional payments of \$1.4 million, payable through April 2022. The first option agreement, covering concessions we acquired in August 2014, requires an additional approximately \$0.7 million be paid to acquire a 100% interest in the concessions related to that option by continuing to make minimum payments of \$0.1 million in 2018 and \$0.2 million in each of the years 2019 through 2021. In addition, until the total due under the first option agreement has been paid, the property owners have the right to 50% of any net profits from mining activities

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from the concessions related to the option, after reimbursement of all costs incurred by us since April 2015, to the extent that such net profit payments exceed the minimum payments. The second option agreement, covering concessions recently acquired in August 2017, requires an additional approximately \$0.7 million be paid to acquire a 100% interest in the concessions related to that option by making additional payments of \$0.1 million in 2018 and \$0.2 million in each of the years 2019 through 2021.

### Rodeo

We acquired the Rodeo and Rodeo 2 claims comprising 1,866 hectares 80 kilometers west of the Velardeña Properties in Durango, Mexico where previous exploration by other companies has identified a gold-bearing epithermal system exposed at the surface. During 2016, we completed a 2,080 meter core drilling program at the Rodeo property at a cost of approximately \$0.4 million. The results from the program show a gold and silver bearing epithermal vein and breccia system with encouraging gold and silver values over an approximate 50 to 70 meter true width. The system is exposed at the top of a northwesterly striking ridge and dips steeply to the northeast over about one kilometer of strike length.

During January 2017, Tetra Tech completed an estimate of mineralized material at the Rodeo deposit, prepared pursuant to Canadian National Instrument 43-101, based on two different operating scenarios. The first operating scenario reflects a smaller amount of higher grade material and estimated mineralized material of 0.4 million tonnes containing 3.3 gpt gold and 11 gpt silver for a total of 46,000 ounces of gold and 0.2 million ounces of silver. This scenario provides a potentially shorter time to processing with lower capital costs since we already own the mill, located within trucking distance of the Rodeo property. The second operating scenario reflects a larger amount of lower grade material and estimated mineralized material of 3.6 million tonnes containing 0.8 gpt gold and 12 gpt silver. The second mineralized material estimate envisions a standalone heap leach operation, depending on leachability of the material and development and operating costs. We believe this material, as currently identified, could provide additional mined material for our Velardeña oxide mill following the completion of the Hecla lease, currently set to expire December 31, 2020.

In initial test work conducted in 2017, we have received confirmation of good gold and silver metallurgical recoveries for milled material in initial test work. Bottle roll cyanide leach testing of the high-grade samples resulted in gold extractions of 80 to 86 percent. Silver extractions ranged from 72 to 76 percent for all tests. Test work also indicates that the material is not suitable for gold and silver recovery by heap leaching.

Due to the extension of the lease period for the oxide mill, plans to advance the Rodeo project have been delayed until later in 2018.

### Celaya Farm-out

In August 2016, our wholly owned Mexican subsidiary entered into an earn-in agreement with a 100% owned Mexican subsidiary of Electrum Global Holdings, L.P., a privately owned company (together “Electrum”), related to our Celaya exploration property in Mexico. We received an upfront payment of \$0.2 million and Electrum agreed to incur exploration expenditures totaling at least \$0.5 million within the first year of the agreement, reduced by certain costs Electrum previously incurred on the property since December 2015 in its ongoing surface exploration program. Electrum, at its option, can elect to acquire an undivided 60% interest in a joint venture company to be formed to hold the Celaya project after incurring exploration expenditures totaling \$2.5 million during the initial first three years of

the agreement. Electrum would serve as manager of the joint venture. Prior to an amendment to the agreement, we would have been allowed to maintain a 40% interest in the Celaya project, following the initial three-year earn-in period, by contributing our pro-rata share of an additional \$2.5 million in exploration or development expenditures incurred over a second three-year period. In February 2018, we amended the Celaya earn-in agreement to permit Electrum to earn, at its option, an additional 20% interest in the Celaya project in exchange for a payment of \$ 1.0 million. Electrum can now increase its total interest in the project to 80% by contributing 100% of the \$2.5 million of additional expenditures required in the second three-year earn-in period. Following the second earn-in period we will have the right to maintain our 20%

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participating interest or our interest ultimately could be converted into a carried 10% net profits interest if we elect not to participate as a joint venture owner.

The 6,200-hectare silver and gold Celaya project contains a strongly developed alteration system on the main Mexico silver belt trend, located 10 kilometers east of Plata Latina's Naranjillo silver and gold discovery and 45 kilometers southeast of and on trend with the historic Guanajuato District. We have conducted mapping and sampling activities at Celaya since 2012. We completed a 2,000 meter, three-hole drilling program in 2015 that identified epithermal gold and silver mineralization beneath a portion of the widespread clay-silica alteration on the claims comprising the project.

Electrum Global Holdings' Mexican subsidiary, Minera Adularia, has reported the completion of 12,400 meters of drilling on the property in fifteen drill holes in their ongoing drill program through the end of 2017. Results to date show intercepts of epithermal quartz vein mineralization with grades for gold, silver, lead and zinc that warrant further drill testing.

## Other Exploration Activities

### Mogotes

During the fourth quarter of 2017 we completed a 2,580 meter drill program on our Mogotes property on the El Mogote claim located 7 kilometers southeast of the town of Velardeña, Durango, Mexico. The drill program was planned to test an area of silicification and breccias hosted in volcanic rocks. The altered area is exposed over a strike length of 1.5 kilometers and a width of about 500 meters. Results from the drill program showed low grade gold mineralization in two of the holes. The epithermal system appears to be more deeply centered than the surface geochemical values initially indicated.

The Mogotes property was purchased from Silver Standard Resources in 2015 and is wholly owned by one of Golden Minerals' Mexican subsidiaries, subject to a 2% net smelter return royalty to Silver Standard and a pre-existing finder's fee agreement (2% of direct exploration and development expenditures, capped at \$365,000).

Additional targeting work is being carried out on the Mogotes claims including geologic mapping and sampling focused on several outcropping veins in the northern portion of the claims and on our adjacent Pistachon claim, part of the Chicago mine holdings. Previous work on the Mogotes property identified the possible continuation of Industrias Peñoles' Santa Maria silver-zinc mine mineralization onto our Mogotes claims.

### Yoquivo

In October 2017 we acquired the right to purchase claims covering the Yoquivo District, Ocampo Municipality, Chihuahua through an option agreement. The Yoquivo District is a past producing, bonanza grade epithermal vein gold and silver district located 35 kilometers southeast of the Ocampo Mining District. We have the right to purchase six claims totaling 1,906 hectares for payment of \$0.5 million over four years plus outstanding claim taxes totaling approximately \$0.1 million. No cash payments to the owner are due until the second anniversary of the agreement. The owner retains a 2% net smelter return royalty capped at \$2.0 million.

#### Farm-outs, Royalties and Other Dispositions

Exploration properties that we choose not to advance are evaluated for joint venture, sale of all or a partial interest and royalty potential. We currently have minority ownership interests and/or royalties in or have disposed of the following properties that were once part of our exploration portfolio:

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- **Zacatecas.** In April 2016, we entered into an option agreement under which Santacruz Silver Mining Ltd. (“Santacruz”) may acquire our interest in certain nonstrategic mineral claims located in the Zacatecas Mining District, Zacatecas, Mexico (the “Zacatecas Properties”) for a series of payments totaling \$1.5 million, including a final payment of \$0.5 million due in April 2018. To date, Santacruz has paid us approximately \$0.9 million. We amended the option agreement with Santacruz in February 2018 to extend the due dates for the remaining series of payments through September 2018. To complete the acquisition of the Zacatecas Properties, Santacruz must now make three additional payments of \$225,000 each in March, June and September 2018. Santacruz has the right to terminate the option agreement at any time, and the agreement could be terminated, at our option, if Santacruz fails to make subsequent payments when due.
- **San Diego Exploration Property.** In August 2016, we sold our remaining 50% interest in the San Diego property in Mexico to Golden Tag Resources, Ltd (“Golden Tag”), which held the other 50% interest in the property, for approximately \$379,000 in cash and 2,500,000 common shares of Golden Tag. Pursuant to the sales agreement, Golden Tag will be required to pay us a 2.0% net smelter return royalty in respect to the San Diego property. We continue to hold 7,500,000 common shares of Golden Tag, representing approximately 10% of its outstanding common shares.
- **Sale of Mining Equipment.** In August 2016, we sold certain mining equipment to Minera Indé, an indirect subsidiary of The Sentient Group, a related party, for \$687,000. The equipment sold was excess equipment held at our Velardeña Properties that we did not expect to use. We received \$69,000 or 10% of the sales price at the closing of the sale, with the remaining \$618,000 plus interest on the unpaid balance at an annual rate of 10% to be due in February 2017. With the approval of a Special Committee of our Board of Directors, we amended the original equipment sale with Minera Indé on March 31, 2017 to include the sale of an additional piece of excess equipment for \$185,000 and extend the time for payment relating to the original equipment sale. Upon execution of the amendment, the Company received an additional payment of \$100,000. The remaining principal and interest balance, plus additional interest on the unpaid balance at an annual rate of 10%, was amended to be due in August 2017. On May 2, 2017, we received approximately \$750,000 from Minera Indé as payment in full for the remaining balance due related to the equipment sale, including interest through that date.
- **Zacatecas Royalty (Mexico).** With respect to certain concessions in a portion of our Zacatecas project in Mexico sold to a subsidiary of Capstone Mining Corp. in 2009, we are entitled to a net smelter return of 1.5% on the first one million tonnes of production, and a 3% net smelter return on production in excess of one million tonnes. The net smelter return on production in excess of one million tonnes escalates by 0.5% for each \$0.50 increment in copper price above \$3.00 per pound of copper. There is currently no production on these concessions.
- **Fortuna Royalty (Peru).** We are entitled to a net smelter return of 2.5% from a mining claim in Peru we sold to Compañia Minera Fortuna in August 2012. There is currently no production related to this claim.

Executive Officers of Golden Minerals

Name	Age	Position
Warren M. Rehn	63	President and Chief Executive Officer
Robert P. Vogels	60	Senior Vice President and Chief Financial Officer

Warren M. Rehn. Mr. Rehn was appointed President of our company in May 2015 and appointed Chief Executive Officer and director in September 2015. Mr. Rehn previously served as Senior Vice President, Exploration and Chief Geologist since December 2012 and served as Vice President, Exploration and Chief Geologist since February 2012. From 2006 until February 2012, Mr. Rehn held various positions at Barrick Gold Exploration, Inc., serving most



recently as

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Chief Exploration Geologist for the Bald Mountain and Ruby Hill mining units. From 2005 until 2007, Mr. Rehn was a consulting geologist for Gerson Lehman Group, which provides consulting services to various industries, including geology and mining. Mr. Rehn served as a Consulting Senior Geologist at Placer Dome Exploration, Inc. in 2004 and as an independent consulting geologist throughout the Americas from 1994 until 2003. He served as a Senior Geologist at Noranda Exploration, Inc. from 1988 until 1994. Mr. Rehn holds an M.S. in Geology from the Colorado School of Mines and a B.S. in Geological Engineering from the University of Idaho.

Robert P. Vogels. Mr. Vogels was named Senior Vice President and Chief Financial Officer in March 2009. Mr. Vogels served as Controller of Apex Silver from January 2005 to March 2009 and was named Vice President in January 2006. Prior to joining Apex Silver, Mr. Vogels served as corporate controller for Meridian Gold Company from January 2004 until December 2004. He served as the controller of INCO Limited's Goro project in New Caledonia from October 2002 to January 2004. Prior to joining INCO, Mr. Vogels worked from 1985 through October 2002 for Cyprus Amax Minerals Company, which was acquired in 1999 by Phelps Dodge Corp. During that time, he served in several capacities, including as the controller for its El Abra copper mine in Chile from 1997 until March 2002. Mr. Vogels began his career in public accounting as a CPA. He holds a B.Sc. in accounting and an MBA degree from Colorado State University.

Board of Directors of Golden Minerals

Name	Age	Occupation
Jeffrey G. Clevenger	68	Chairman
Warren M. Rehn	63	President and Chief Executive Officer, Company
W. Durand Eppler (1),(3)	64	Managing Director, Capstone Headwaters MB
Ian Masterton-Hume (2)	67	Corporate Director and Member, Sentient Business Council
Kevin R. Morano (2),(3)	64	Managing Principal, KEM Capital LLC
Terry M. Palmer (1),(3)	73	Retired Certified Public Accountant
Andrew N. Pullar	45	Managing Partner and Director, Sentient Equity Partners
David H. Watkins (1),(2)	73	Director, Commander Resources Ltd., Euro Resources S.A.

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Committee Membership

- (1) Audit
- (2) Compensation
- (3) Corporate Governance and Nominating

Metals Market Overview

We are an emerging precious metals exploration company with silver and gold mining properties in Mexico and a large silver advanced exploration project in Argentina. Descriptions of the markets for these metals are provided below.

### Silver Market

Silver has traditionally served as a medium of exchange, much like gold. Silver's strength, malleability, ductility, thermal and electrical conductivity, sensitivity to light and ability to endure extreme changes in temperature combine to make it a widely used industrial metal. While silver continues to be used as a form of investment and a financial asset, the principal uses of silver are industrial, primarily in electrical and electronic components, photography, jewelry, silverware, batteries, computer chips, electrical contacts, and high technology printing. Silver's anti-bacterial properties also make it valuable for use in medicine and in water purification. Additionally, the use of silver in the photovoltaic and solar panel

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industries is growing rapidly, and new uses of silver are being developed in connection with the use of superconductive wire and radio frequency identification devices.

Most silver product is obtained from mining in which silver is not the principal or primary product. The Silver Institute, an international silver industry association, noted that for 2014 only around 31% of output came from so-called primary silver mines, where silver is the main source of revenue.

The following table sets forth for the periods indicated on the London Fix high and low silver fixes in U.S. dollars per troy ounce. On February 27, 2018, the closing price of silver was \$16.61 per troy ounce.

Year	Silver	
	High	Low
2011	\$ 48.70	\$ 26.16
2012	\$ 37.23	\$ 26.67
2013	\$ 32.23	\$ 18.61
2014	\$ 22.05	\$ 15.28
2015	\$ 18.23	\$ 13.71
2016	\$ 20.71	\$ 13.58
2017	\$ 18.56	\$ 15.22
2018*	\$ 17.52	\$ 16.35

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\* Through February 27, 2018.

## Gold Market

Gold has two main categories of use: fabrication and investment. Fabricated gold has a variety of end uses, including jewelry, electronics, dentistry, industrial and decorative uses, medals, medallions and official coins. Gold investors buy gold bullion, official coins and jewelry. The supply of gold consists of a combination of production from mining and the draw-down of existing stocks of gold held by governments, financial institutions, industrial organizations and private individuals.

The following table sets forth for the periods indicated on the London Fix PM high and low gold fixes in U.S. dollars per troy ounce. On February 27, 2018, the closing price of gold was \$1,326 per troy ounce.

Year	Gold	
	High	Low
2011	\$ 1,895	\$ 1,319

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2012	\$ 1,792	\$ 1,540
2013	\$ 1,694	\$ 1,192
2014	\$ 1,385	\$ 1,142
2015	\$ 1,296	\$ 1,049
2016	\$ 1,366	\$ 1,077
2017	\$ 1,346	\$ 1,151
2018*	\$ 1,355	\$ 1,311

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\* Through February 27, 2018.

### Employees

We currently have approximately 160 employees, including seven in Golden, approximately 130 in Torreón, Mexico or at the Velardeña Properties (including approximately 70 assigned to the oxide plant which is leased to a third party), three in Argentina in connection with the El Quevar project, and approximately 20 in various foreign exploration offices.

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### Competition

There is aggressive competition within the mining industry for the acquisition of a limited number of mineral resource opportunities, and many of the mining companies with which we compete have greater financial and technical resources than we do. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, as well as on exploration and advancement of their mineral properties. We also compete with other mining companies for the acquisition and retention of skilled mining engineers, mine and processing plant operators and mechanics, geologists, geophysicists and other experienced technical personnel. Our competitive position depends upon our ability to successfully and economically advance new and existing silver and gold properties. Failure to achieve and maintain a competitive position could adversely impact our ability to obtain the financing necessary for us to advance our mineral properties.

### Available Information

We make available, free of charge through our website at [www.goldenminerals.com](http://www.goldenminerals.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Information on our website is not incorporated into this annual report on Form 10-K and is not a part of this report. Additionally, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

### ITEM 1A: RISK FACTORS

Investors in Golden Minerals should consider carefully, in addition to the other information contained in, or incorporated by reference into, this annual report on Form 10-K, the following risk factors:

We have historically incurred operating losses and operating cash flow deficits and we expect to incur operating losses and operating cash flow deficits through 2018; our potential profitability in the foreseeable future would depend on our ability to identify, acquire and mine properties to generate sufficient revenues to fund our continuing activities.

We have a history of operating losses and we expect that we will continue to incur operating losses unless and until such time as our Velardeña Properties, our El Quevar project, or another of our exploration properties, generates sufficient revenue to fund our continuing business activities. Although we have leased the oxide plant at the Velardeña Properties to a subsidiary of Hecla Mining Company, the cash that we expect will be generated from that lease may not be sufficient to fund all of our continuing business activities as currently conducted. In addition, the oxide plant

lease may terminate sooner or produce less revenue than we anticipate. There is no assurance that we will develop additional sources of revenue.

In addition, the potential profitability of mining and processing at any of our properties would be based on a number of assumptions. For example, profitability would depend on metal prices, costs of materials and supplies, costs at the mines and processing plants and the amounts and timing of expenditures, including expenditures to maintain our Velardeña Properties, our El Quevar project and to continue exploration at other exploration properties, and potential strategic acquisitions or other transactions, in addition to other factors, many of which

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are and will be beyond our control. We cannot be certain we will be able to generate sufficient revenue from any source to achieve profitability and eliminate operating cash flow deficits, or to cease to require additional funding. We may require additional external financing to fund our continuing business activities in the future

As of December 31, 2017, we had approximately \$3.3 million in cash and cash equivalents. With anticipated costs during 2018, including exploration expenditures, care and maintenance costs at the Velardeña Properties, exploration and evaluation expenditures and property holding costs at the El Quevar project, and general and administrative expenses, offset by anticipated revenue from the lease of the oxide plant, payment related to an exploration property farm out and payment related to an amendment of the farm-out agreement of the Celaya property to Electrum, we expect our current cash and cash equivalent balance will be approximately \$1.5 million by the end of 2018. Even with these anticipated revenues throughout 2018, our cash balance in 2018 might not be sufficient to provide adequate cash reserves in the event of an unexpected termination of the Hecla lease, variations from anticipated care and maintenance costs at the Velardeña Properties and costs for continued exploration, project assessment and development at our other exploration properties, requiring us to seek additional funding from equity or debt or from monetization of non-core assets.

Other than our outstanding At-the-Market program (the “ATM Program”), which we launched in December 2016, and for which the amount of funds raised thereby is uncertain, we do not have a credit, off-take or other commercial financing arrangement in place that would finance our general and administrative costs and other working capital needs to fund our continuing business activities in the future, and we believe that securing credit for these purposes may be difficult given our limited history and the continuing volatility in global credit and commodity markets. In addition, commercial financing arrangements may not be available on favorable terms or on terms that would not further restrict our flexibility and ongoing ability to meet our cash requirements over a reasonable period of time. Access to public financing has been negatively impacted by the volatility in the credit markets and metals prices, which may affect our ability to obtain equity or debt financing in the future and, if obtained, to do so on favorable terms. We also may not be able to obtain funding by monetizing additional non-core exploration or other assets at an acceptable price. We cannot assure you that we will be able to obtain financing to fund our general and administrative costs and other working capital needs to fund our continuing business activities in the future on favorable terms or at all.

Hecla may terminate the oxide plant lease.

In July 2015 we entered into a leasing agreement with a wholly-owned subsidiary of Hecla Mining Company to lease our Velardeña oxide plant for an initial term of 18 months beginning July 1, 2015. The lease agreement contained several lease extension options, which Hecla exercised, extending the lease through December 31, 2018. In August 2017, we granted Hecla an option pursuant to an option agreement to extend the lease for an additional period of up to two years ending no later than December 31, 2020. Hecla must exercise this option to extend the lease no later than October 3, 2018. Hecla is responsible for ongoing operation and maintenance of the oxide plant and during the year ended December 31, 2017, Hecla's mining and processing activities resulted in a net margin of \$4.5 million for the Company. Although we intend the oxide plant lease to extend through December 2018, and then through December 2020 assuming exercise of the option, the lease may terminate sooner than we anticipate if Hecla experiences mining problems or delays at its nearby mine, if there are disputes between Hecla and us, or for other reasons. Moreover, the lease payment from Hecla is based, in part, on the amount of ore processed at the plant, and we have no control over their production. There is also no assurance that Hecla will exercise the option to extend the lease for an additional two years through December 31, 2020.

One of our stockholders owns a significant percentage of our common stock and could block decisions or transactions that could be beneficial to other stockholders.





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One of our stockholders, Sentient, owns approximately 45% of the Company's outstanding common stock. With this level of ownership, Sentient could exert significant control over the Company, including over the election of directors, changes in the size or the composition of the board of directors, and mergers and other business combinations involving the Company. Through greater control of the board of directors and increased voting power, including the potential to prevent a quorum at stockholders meetings, Sentient could control certain decisions, including decisions regarding qualification and appointment of officers, operations of the business including acquisition or disposition of our assets or purchases and sales of mining or exploration properties, dividend policy, and access to capital (including borrowing from third-party lenders and the issuance of equity or debt securities) Sentient's large share ownership will also make it difficult, if not impossible, for the Company to enter into a change of control transaction that may otherwise be beneficial for the Company's other shareholders.

If we commence mining in Mexico, we will likely enter into a collective bargaining agreement with a union that, together with labor and employment regulations, could adversely affect our mining activities and financial condition.

As was the case at our Velardeña Properties, mine employees in Mexico are typically represented by a union, and our relationship with our employees was, and we expect in the future will be, governed by collective bargaining agreements. Any collective bargaining agreement that we enter into with a union is likely to restrict our mining flexibility in and impose additional costs on our mining activities. In addition, relations between us and our employees in Mexico may be affected by changes in regulations or labor union requirements regarding labor relations that may be introduced by the Mexican authorities or by labor unions. Changes in legislation or in the relationship between us and our employees may have a material adverse effect on our mining activities and financial condition.

We may not mine the Velardeña Properties again.

In mid-November 2015, we shut down the mines and sulfide processing plant at our Velardeña Properties and placed them on care and maintenance. Commencing mining again is subject to numerous risks and uncertainties, including:

- whether we are able to create mine plans or gold recovery improvements that can achieve sustainable cash positive results at current and future metals prices;
- unexpected events, including difficulties in maintaining the properties on a care and maintenance basis, potential sabotage or damage to the assets related to the suspension of mining, and variations in ore grade and relative amounts, grades and metallurgical characteristics of oxide and sulfide ores;
- continued decreases or insufficient increases in gold and silver prices to permit us to achieve sustainable cash positive results;
- actual holding and care and maintenance costs resulting from the shutdown exceeding current estimates or including unanticipated costs;
- loss of and inability to adequately replace skilled mining and management personnel;
- strikes or other labor problems; and
- our ability to obtain additional funding for general and administrative costs and other working capital needs to fund our continuing business activities as currently conducted and possibly for a potential restart of our Velardeña Properties.

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Based on these risks and uncertainties, there can be no assurance that we will restart mining activities at the Velardeña Properties.

Our ability to successfully conduct mining and processing activities resulting in long-term cash flow and profitability will be affected by changes in prices of silver, gold and other metals.

Our ability to successfully conduct mining and processing activities in Mexico, Argentina or other countries, to establish reserves and advance our exploration properties, and to become profitable in the future, as well as our long-term viability, depend, in large part, on the market prices of silver, gold, zinc, copper and other metals. The market prices for these metals are volatile and are affected by numerous factors beyond our control, including:

- global or regional consumption patterns;
- supply of, and demand for, silver, gold, zinc, lead, copper and other metals;
- speculative activities and hedging activities;
- expectations for inflation;
- political and economic conditions; and
- supply of, and demand for, consumables required for extraction and processing of metals.

The declines in silver and gold prices in 2013, 2014 and 2015 have had a significant impact on our mining activities, resulting in shutdowns in 2013 and 2015 of mining at our Velardeña Properties, and negatively affect mining opportunities at our other properties. Additionally, future weakness in the global economy could increase volatility in metals prices or depress metals prices, which could also affect our mining and processing plans at our Velardeña Properties or make it uneconomic for us to engage in mining or exploration activities. Volatility or sustained price declines may also adversely affect our ability to build or continue our business.

If products are processed from our Velardeña Properties or other mines in the future, they could contain higher than expected contaminants, thereby negatively impacting our financial condition.

In 2015 we processed mined material to make gold and silver bearing lead, zinc and pyrite concentrates. Concentrate treatment charges paid to smelters and refineries include penalties for certain elements, including arsenic and antimony that exceed contract limits. In the future, if we process material from our Velardeña Properties or other mines, any such concentrates could include higher than expected contaminants, which would result in higher treatment expenses and penalty charges that could increase our costs and negatively impact our business, financial condition and results of operations. This could occur due to unexpected variations in the occurrence of these elements in the material mined, problems that occur during blending of material from various locations in the mine prior to processing and other unanticipated events.

The Velardeña Properties, the El Quevar project and our other properties may not contain mineral reserves. We are considered an exploration stage company under SEC Industry Guide 7, and none of the properties at our Velardeña Properties, the El Quevar project, or any of our other properties have been shown to contain proven or probable mineral reserves. Expenditures made in mining at the Velardeña Properties or the exploration and advancement of our El Quevar project or other properties may not result in positive cash flow or in discoveries of commercially recoverable quantities of ore. Most exploration projects do not result in the discovery of commercially mineable ore deposits, and we cannot assure you that any mineral deposit we identify will qualify as an orebody that can be legally and economically exploited or that any particular level of recovery from discovered mineralization will in fact be realized.



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Tetra Tech completed technical reports on our Velardeña Properties and our Santa Maria and Rodeo properties, which indicated the presence of mineralized material. During 2012, we released an estimate of mineralized material at our El Quevar project and in 2017 Wood Group undertook an analysis and re-modeling of the data utilized in the prior mineralized material estimate. Mineralized material figures based on estimates made by geologists are inherently imprecise and depend on geological interpretation and statistical inferences drawn from drilling and sampling that may prove to be unreliable or inaccurate. We cannot assure you that these estimates are accurate or that proven and probable mineral reserves will be identified at the Velardeña Properties, the Santa Maria and Rodeo properties, the El Quevar project or any of our other properties. Even if the presence of reserves is established at a project, the economic viability of the project may not justify exploitation. We have spent significant amounts on the evaluation of El Quevar prior to establishing the economic viability of that project.

Estimates of reserves, mineral deposits and mining costs also can be affected by factors such as governmental regulations and requirements, fluctuations in metals prices or costs of essential materials or supplies, environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. In addition, the grades of ore or material ultimately mined may differ from that indicated by drilling results, sampling, feasibility studies or technical reports. Short-term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining and on the results of operations. Silver, gold or other minerals recovered in small-scale laboratory tests may not be duplicated in large-scale tests under on-site processing conditions.

The Velardeña Properties, the El Quevar project and our other properties are subject to foreign environmental laws and regulations which could materially adversely affect our business.

We have conducted mining activities in Mexico and conduct mineral exploration activities primarily in Mexico, Mexico and Argentina, where the El Quevar project is located, have laws and regulations that control the exploration and mining of mineral properties and their effects on the environment, including air and water quality, mine reclamation, waste generation, handling and disposal, the protection of different species of flora and fauna and the preservation of lands. These laws and regulations require us to acquire permits and other authorizations for conducting certain activities. In many countries, there is relatively new comprehensive environmental legislation, and the permitting and authorization process may not be established or predictable. We may not be able to acquire necessary permits or authorizations on a timely basis, if at all. Delays in acquiring any permit or authorization could increase the cost of our projects and could suspend or delay the commencement of extraction and processing of mineralized material.

Our Velardeña Properties are subject to regulation by SEMARNAT, the environmental protection agency of Mexico. In order to permit new facilities at or expand existing facilities, regulations require that an environmental impact statement, known in Mexico as a Manifestación de Impacto Ambiental (the “Manifestación”), be prepared by a third-party contractor for submission to SEMARNAT. Studies required to support the Manifestación include a detailed analysis of soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. The Manifestación is then published on SEMARNAT’s web page and in its official gazette in a national and local newspaper. The Manifestación is discussed at various open hearings, including hearings in the local communities, at which third parties may voice their views. We would be required to provide proof of local community support of the Manifestación as a condition to final approval. We may not be able to obtain community support of future projects.

Environmental legislation in Mexico is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. For example, in January 2011, Article 180 of the Mexican Federal General Law of Ecological Balance and Environmental Protection was amended. Among other things, this amendment extended the term during which an individual or entity having a legitimate interest may contest administrative acts, including environmental authorizations, permits or concessions

granted, without the need to demonstrate the actual existence of harm to the environment, natural resources, flora, fauna or human health, making it sufficient to argue that harm may be caused. Further, the amendment permits the contesting party to

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challenge a Manifestación through a variety of administrative or court procedures. As a result of the amendment, more legal actions supported or sponsored by non-governmental groups interested in halting projects may be filed against companies operating in all industrial sectors, including the mining sector. Mexican operations are also subject to the environmental agreements entered into by Mexico, the United States and Canada in connection with the North American Free Trade Agreement. Further, in August 2011, certain amendments to the Civil Federal Procedures Code of Mexico (“CFPC”) were published in the Official Daily of the Federation. The amendments establish three categories of collective actions by which 30 or more people claiming injury resulting from, among other things, environmental harm, will be deemed to have a sufficient and legitimate interest in seeking, through a civil procedure, restitution, economic compensation or suspension of the activities from which the alleged injury derived. These amendments to the CFPC may result in more litigation by plaintiffs seeking remedies for alleged environmental harms, including suspension of the activities alleged to cause harm. Future changes in environmental regulation in the jurisdictions where the Velardeña Properties are located may adversely affect our business, make our business prohibitively expensive, or prohibit it altogether.

Environmental legislation in many other countries, in addition to Mexico, is evolving in a manner that will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. We cannot predict what environmental legislation or regulations will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. For example, in September 2010, the Argentine National Congress passed legislation which prohibits mining activity in glacial and surrounding areas. Although we do not currently anticipate that this legislation will impact the El Quevar project, the legislation provides an example of the evolving environmental legislation in the areas in which we operate. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies or regulatory agencies or stricter interpretation of existing laws, may (i) necessitate significant capital outlays, (ii) cause us to delay, terminate or otherwise change our intended activities with respect to one or more projects, or (iii) materially adversely affect our future exploration activities.

The Velardeña Properties and many of our exploration properties are located in historic mining districts where prior owners, including ECU in the case of the Velardeña Properties, may have caused environmental damage that may not be known to us or to the regulators. At the Velardeña Properties and in most other cases, we have not sought complete environmental analyses of our mineral properties. We have not conducted comprehensive reviews of the environmental laws and regulations in every jurisdiction in which we own or control mineral properties. Insurance fully covering many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and mining) is not generally available. To the extent environmental hazards may exist on the properties in which we currently hold interests, or may hold interests in the future, that are unknown to us at present and that have been caused by us, or previous owners or operators, or that may have occurred naturally, and to the extent we are subject to environmental requirements or liabilities, the cost of compliance with these requirements and satisfaction of these liabilities could have a material adverse effect on our financial condition and results of operations. If we are unable to fully fund the cost of remediation of any environmental condition, we may be required to suspend activities or enter into interim compliance measures pending completion of the required remediation.

In addition, U.S. or international legislative or regulatory action to address concerns about climate change and greenhouse gas emissions could negatively impact our business.

Title to the Velardeña Properties and our other properties and rights may be defective or may be challenged. Our policy is to seek to confirm the validity of our rights to, title to, or contract rights with respect to, each mineral property in which we have a material interest. However, we cannot guarantee that title to our properties will not be challenged. Title insurance is not available for our mineral properties, and our ability to ensure that we have obtained

secure rights to individual mineral properties or mining concessions may be severely constrained. Accordingly, the Velardeña Properties and our other mineral properties may be subject to prior unregistered agreements, transfers or claims,

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and title may be affected by, among other things, undetected defects. In addition, we may be unable to conduct activities on our properties as permitted or to enforce our rights with respect to our properties, and the title to our mineral properties may also be impacted by state action. We have not conducted surveys of all of the exploration properties in which we hold direct or indirect interests and, therefore, the precise area and location of these exploration properties may be in doubt.

In most of the countries in which we operate, failure to comply with applicable laws and regulations relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners. Any such loss, reduction or imposition of partners could have a material adverse effect on our financial condition, results of operations and prospects.

Under the laws of Mexico, mineral resources belong to the state, and government concessions are required to explore for or exploit mineral reserves. Mineral rights derive from concessions granted, on a discretionary basis, by the Ministry of Economy, pursuant to the Mexican mining law and regulations thereunder. We hold title to the Velardeña Properties and our other properties in Mexico through these government concessions, but there is no assurance that title to the concessions comprising the Velardeña Properties and other properties will not be challenged or impaired. The Velardeña Properties and other properties may be subject to prior unregistered agreements, interests or native land claims, and title may be affected by undetected defects. There could be valid challenges to the title of any of the claims comprising the Velardeña Properties that, if successful, could impair mining with respect to such properties in the future. A defect could result in our losing all or a portion of our right, title, and interest in and to the properties to which the title defect relates.

Our Velardeña Properties mining concessions and our other mining concessions in Mexico may be terminated if our obligations to maintain the concessions in good standing are not satisfied, including obligations to explore or exploit the relevant concession, to pay any relevant fees, to comply with all environmental and safety standards, to provide information to the Ministry of Economy and to allow inspections by the Ministry of Economy. In addition to termination, failure to make timely concession maintenance payments and otherwise comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in reduction or expropriation of entitlements. Additionally, in 2014, new mining concessions became subject to additional review and approval by the Mexico Ministry of Energy.

Mining concessions in Mexico give exclusive exploration and exploitation rights to the minerals located in the concessions but do not include surface rights to the real property, which requires that we negotiate the necessary agreements with surface landowners. Many of our mining properties are subject to the Mexican ejido system requiring us to contract with the local communities surrounding the properties in order to obtain surface rights to land needed in connection with our mining exploration activities. In connection with our Velardeña Properties, we have contracts with two ejidos to secure surface rights with a total annual cost of approximately \$25,000. The first contract is a ten-year contract with the Velardeña ejido, which provides surface rights to certain roads and other infrastructure at the Velardeña Properties through 2021. The second contract is a 25-year contract with the Vista Hermosa ejido signed in March 2013, which provides exploration access and access rights for roads and utilities for our Velardeña Properties. Our inability to maintain and periodically renew or expand these surface rights on favorable terms or otherwise could have a material adverse effect on our business and financial condition.

Mining and processing activities are dependent on the availability of sufficient water supplies to support our mining activities.

Mining and processing at the Velardeña Properties, as at most mines, requires significant amounts of water. At the Velardeña Properties, our ability to have sufficient water is dependent on our ability to maintain our water rights and claims. Water is provided for all of the mines comprising our Velardeña Properties by wells located in the valley

adjacent to the Velardeña Properties. We hold title to three wells located near the sulfide plant and hold certificates of registration

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to three wells located near the oxide plant. We are licensed to pump water from all six wells up to a permitted amount. We are currently only using water from the three wells associated with the oxide plant. We are required to make annual payments to the Mexican government to maintain our rights to these wells. We are required to pay a fine to the Mexican Government each year if we use too much water from a particular well or alternatively if we do not use a minimum amount of water from a particular well. In addition to these fines, the Mexican Government reserves the right to cancel our title to the wells for abuse of these rules.

We currently have a sufficient amount of water for the third-party processing activities at the oxide plant. However, if we began processing material from both the sulfide and oxide plants in the future, we may face shortages in our water supply, and therefore will need to obtain water from outside sources at higher costs. The loss of some or all water rights for any of our wells, in whole or in part, or shortages of water to which we have rights would require us to seek water from outside sources at higher costs and could require us to curtail or shut down mining and processing in the future. Laws and regulations may be introduced in the future which could limit our access to sufficient water resources in mining activities, thus adversely affecting our business.

There are significant hazards involved in underground mining and processing activities at our Velardeña Properties, not all of which are fully covered by insurance. To the extent we must pay the costs associated with such risks, our business may be negatively affected.

The mining and processing of the underground mines at our Velardeña Properties, as well as the conduct of our exploration programs that frequently require rehabilitation of and drilling in underground mine workings, are subject to numerous risks and hazards, including, but not limited to, environmental hazards, industrial accidents, encountering unusual or unexpected geological formations, formation pressures, cave-ins, underground fires or floods, power outages, labor disruptions, seismic activity, rock bursts, accidents relating to historical workings, landslides and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, environmental damage, reduced extraction and processing and delays in mining, asset write-downs, monetary losses and possible legal liability.

Although we maintain insurance against risks inherent in the conduct of our business in amounts that we consider reasonable, this insurance contains, as in the case of our Velardeña Properties, exclusions and limitations on coverage, and will not cover all potential risks associated with mining and exploration activities, and related liabilities might exceed policy limits. As a result of any or all of the forgoing, particularly if the facilities are older, we could incur significant liabilities and costs that could adversely affect our results of operation and financial condition.

Our Velardeña Properties and most of our exploration properties are located in Mexico and are subject to various levels of political, economic, legal and other risks.

Our Velardeña Properties are located in Mexico, and, as such, are exposed to various levels of political, economic, legal and other risks and uncertainties, including local acts of violence, such as violence from drug cartels; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; acts of political corruption; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions (including potential instability if the United States withdraws from or renegotiates the North American Free Trade Agreement), currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Furthermore, given the uncertainties surrounding the policies of the new US Administration, the political relationship between the United States and Mexico may deteriorate, creating further political risk of doing business in Mexico.

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In the past, Mexico has been subject to political instability, changes and uncertainties, which have resulted in changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for us to obtain any required funding for our Velardeña Properties or other projects in Mexico in the future.

Our Mexican properties are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species, purchase, storage and use of explosives and other matters. Specifically, our activities related to the Velardeña Properties are subject to regulation by SEMARNAT, the Comisión Nacional del Agua, which regulates water rights, and Mexican mining laws. Mexican regulators have broad authority to shut down and levy fines against facilities that do not comply with regulations or standards.

Our Velardeña Properties and mineral exploration activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to our mining and exploration activities or the maintenance of our properties. For example, in January 2014, amendments to the Mexico federal corporate income tax law require titleholders of mining concessions to pay annually a 7.5% duty of their mining related profits and a 0.5% duty on revenues obtained from the sale of gold, silver and platinum that were effective March 2015. These additional duties applicable to Mexico mining concession titleholders will have a significant impact on the annual costs applicable to the Velardeña Properties if we have mining related profits or significant revenues in the future.

Changes, if any, in mining or investment policies, changes or increases in the legal rights of indigenous populations or in the difficulty or expense of obtaining rights from them that are necessary for our Velardeña Properties or shifts in political attitude may adversely affect our business and financial condition. Our mining and exploration activities may be affected in varying degrees by government regulations with respect to restrictions on extraction, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Restart of mining or use of both the oxide and sulfide plant may also require us to assure the availability of adequate supplies of water and power, which could be affected by government policy and competing businesses in the area. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our mining and exploration activities and financial condition.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration or mining activities at our Velardeña Properties or in respect of any of our other projects in Mexico or with which we become involved in Mexico. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of mining and exploration or material fines, penalties or other liabilities.

Most of our costs are subject to exchange control policies, the effects of inflation and currency fluctuations between the U.S. dollar and the Mexican peso.

Our revenue and external funding are primarily denominated in U.S. dollars. However, mining, processing, maintenance and exploration costs at the Velardeña Properties and most of our exploration properties are denominated principally in Mexican pesos. These costs principally include electricity, labor, water, maintenance, local contractors and fuel. When inflation in Mexico increases without a corresponding devaluation of the Mexican peso, our financial position, results of operations and cash flows could be adversely affected. The annual average inflation rate in Mexico was 6.0% in 2017, 2.8% in 2016 and 2.7% in 2015. At the same time, the peso has been subject to significant fluctuation, which may not have been proportionate to the inflation rate and may not be proportionate to the inflation rate in the future. The value of the peso increased by 5.0% in 2017, decreased by 19% in 2016 and decreased by 17% in 2015. In addition, fluctuations



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in currency exchange rates may have a significant impact on our financial results. There can be no assurance that the Mexican government will maintain its current policies with regard to the peso or that the peso's value will not fluctuate significantly in the future. We cannot assure you that currency fluctuations, inflation and exchange control policies will not have an adverse impact on our financial condition, results of operations, earnings and cash flows.

If we are unable to obtain all of our required governmental permits or obtain property rights on favorable terms or at all, our business could be negatively impacted.

Future mining and current processing at our Velardeña Properties, the continued evaluation of the El Quevar project and other exploration activities will require additional permits from various governmental authorities. Our business is and will continue to be governed by laws and regulations governing mining, exploration, prospecting, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, mining royalties and other matters. We may also be required to obtain certain property rights to access or use our properties. Obtaining or renewing licenses and permits, and acquiring property rights, can be complex and time-consuming processes. There can be no assurance that we will be able to acquire all required licenses, permits or property rights on reasonable terms or in a timely manner, or at all, and that such terms will not be adversely changed, that required extensions will be granted, or that the issuance of such licenses, permits or property rights will not be challenged by third parties. Delays in obtaining or a failure to obtain any licenses, permits or property rights or any required extensions; challenges to the issuance of licenses, permits or property rights, whether successful or unsuccessful; changes to the terms of licenses, permits or property rights; or a failure to comply with the terms of any licenses, permits or property rights that have been obtained could have a material adverse effect on our business by delaying, preventing or making future mining and processing at our Velardeña Properties and other continued processing activities economically unfeasible. U.S. or international legislative or regulatory action to address concerns about climate change and greenhouse gas emissions could also negatively impact our business. While we will continue to monitor and assess any new policies, legislation or regulations regarding such matters, we currently believe that the impact of such legislation on our business will not be significant.

We depend on the services of key executives.

Our business strategy is based on leveraging the experience and skill of our management team. We are dependent on the services of key executives, including Warren Rehn and Robert Vogels. Due to our relatively small size, the loss of any of these persons or our inability to attract and retain additional highly skilled employees may have a material adverse effect on our business and our ability to manage and succeed in our mining and exploration activities.

The exploration of our mineral properties is highly speculative in nature, involves substantial expenditures and is frequently non-productive.

Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish mineral reserves through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to process metal from the ore;
- determine the feasibility of mine development and production; and
- construct, renovate or expand mining and processing facilities.

If we discover a deposit or ore at a property, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of a project may change because of increased costs, lower metal prices or other factors. As a result of these uncertainties, we may not successfully acquire additional mineral



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rights, or our exploration programs may not result in proven and probable reserves at all or in sufficient quantities to justify developing the El Quevar project or any of our exploration properties.

The decisions about future advancement of exploration projects may be based on feasibility studies, which derive estimates of mineral reserves, operating costs and project economic returns. Estimates of economic returns are based, in part, on assumptions about future metal prices and estimates of average cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of silver and other metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by our studies and estimates.

Lack of infrastructure could forestall or prevent further exploration and advancement.

Exploration activities, as well as any advancement activities, depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important factors that affect capital and operating costs and the feasibility and economic viability of a project. Unanticipated or higher than expected costs and unusual or infrequent weather phenomena, or government or other interference in the maintenance or provision of such infrastructure, could adversely affect our business, financial condition and results of operations.

Our exploration activities are in countries with developing economies and are subject to the risks of political and economic instability associated with these countries.

We currently conduct exploration activities almost exclusively in countries with developing economies, including Argentina and Mexico. These countries and other emerging markets in which we may conduct business have from time to time experienced economic or political instability. We may be materially adversely affected by risks associated with conducting exploration activities in countries with developing economies, including:

- political instability and violence;
- war and civil disturbance;
- acts of terrorism or other criminal activity;
- expropriation or nationalization;
- changing fiscal, royalty and tax regimes;
- fluctuations in currency exchange rates;
- high rates of inflation;
- uncertain or changing legal requirements respecting the ownership and maintenance of mineral properties, mines and mining activities, and inconsistent or arbitrary application of such legal requirements;



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- underdeveloped industrial and economic infrastructure;
- corruption; and
- unenforceability of contractual rights.

Changes in mining or investment policies or shifts in the prevailing political climate in any of the countries in which we conduct exploration activities could adversely affect our business.

We conduct our business in countries that may be adversely affected by changes in the local government's policies toward or laws governing the mining industry.

We have exploration activities primarily in Mexico and Argentina. In these regions there exist uncertainties regarding future changes in applicable law related to mining and exploration. For instance, in January 2014, amendments to the Mexico federal corporate income tax law require titleholders of mining concessions to pay annually a 7.5% duty of their mining related profits and a 0.5% duty on revenues obtained from the sale of gold, silver and platinum that were effective March 2015. These additional duties applicable to Mexico mining concession titleholders will have a significant impact on the annual costs applicable to the Velardeña Properties if we have mining related profits or significant revenues in the future.

Additionally, effective January 2015, the Argentina National Mining Code was amended, increasing the annual canon payment by approximately four times. In 2016 and 2017, our annual canon fees payable to the Argentine government was \$112,000 and \$113,000 respectively, and we expect to pay approximately \$115,000 in 2018.

In addition to the risk of increased transaction costs, we do not maintain political risk insurance to cover losses that we may incur as a result of nationalization, expropriation or similar events in Mexico or Argentina where we explore or have mining and processing activities.

We compete against larger and more experienced companies.

The mining industry is intensely competitive. Many large mining companies are primarily makers of precious or base metals and may become interested in the types of deposits on which we are focused, which include silver, gold and other precious metals deposits or polymetallic deposits containing significant quantities of base metals, including zinc, lead and copper. Many of these companies have greater financial resources, experience and technical capabilities than we do. We may encounter increasing competition from other mining companies in our efforts to acquire mineral properties and hire experienced mining professionals. Increased competition in our business could adversely affect our ability to attract necessary capital funding or acquire suitable mining properties or prospects for mineral exploration in the future.

We are dependent on information technology systems, which are subject to certain risks, including cybersecurity risks and data leakage risks.

We are dependent upon information technology systems in the conduct of our business. Any significant breakdown, invasion, virus, cyber attack, security breach, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively impact our business. To the extent any invasion, cyber attack or security breach results in disruption to our business, loss or disclosure of, or damage to, our data or confidential information, our reputation, business, results of operations and financial condition could be materially adversely affected. Our systems and insurance coverage for protecting against cyber security risks may not be sufficient. Although to date we have not experienced any material losses relating to cyber attacks, we may suffer such losses in the future. We may be required to expend significant additional resources to continue to modify or enhance our protective

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measures. We also may be subject to significant litigation, regulatory investigation and remediation costs associated with any information security vulnerabilities, cyber attacks or security breaches.

The existence of a significant number of warrants may have a negative effect on the market price of our common stock.

In connection with our financing in May 2016, we issued five year warrants to acquire 6,000,000 shares of our common stock at \$0.75 per share expiring in November 2021. In connection with our financing in September 2014, we issued five year warrants to acquire 4,746,000 shares of our common stock at \$1.21 per share expiring in September 2019. Pursuant to the anti-dilution clauses in the September 2014 warrant agreements, the exercise price of the warrants has been adjusted downward as a result of the subsequent issuance of the Company's common stock in separate transactions, including pursuant to the Hecla Share Issuance (as defined herein), our ATM Program, the May 2016 financing, and the conversion of the Sentient Senior Secured Convertible Note (the "Sentient Note"). As a result of these transactions, the number of shares of common stock issuable upon exercise of the September 2014 warrants was increased from the original 4,746,000 shares to 5,478,172 shares (732,172 share increase) and the exercise price was reduced from the original \$1.21 per share to \$0.87 per share. The existence of securities available for exercise and resale is referred to as an "overhang," and, particularly if the warrants are "in the money," the anticipation of potential sales could exert downward pressure on the market price of our common stock.

Failure to meet the maintenance criteria of the NYSE American may result in the delisting of our common stock, which could result in lower trading volumes and liquidity, lower prices of our common shares and make it more difficult for us to raise capital.

Our common stock is listed on the NYSE American, and we are subject to its continued listing requirements, including maintaining certain share prices and a minimum amount of shareholders equity. The market price of our common stock has been and may continue to be subject to significant fluctuation. If we are unable to comply with the NYSE American continued listing requirements, including its trading price requirements, our common stock may be suspended from trading on and/or delisted from the NYSE American. Alternatively, in order to avoid delisting by the NYSE American, we may be required to effect a reverse split of our common stock. Although we have not been notified of any delisting proceedings, there is no assurance that we will not receive such notice in the future or that we will be able to then comply with NYSE American listing standards. The delisting of our common stock from the NYSE American may materially impair our stockholders' ability to buy and sell our common stock and could have an adverse effect on the market price of, and the efficiency of the trading market for, our common stock. In addition, the delisting of our common stock could significantly impair our ability to raise capital.

If our common stock were delisted and determined to be a "penny stock," a broker-dealer could find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock in the secondary market.

If our common stock were removed from listing on the NYSE American, it may be subject to the so-called "penny stock" rules. The SEC has adopted regulations that define a "penny stock" to be any equity security that has a market price per share of less than \$5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a "penny stock," unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If our common stock were delisted and determined to be a "penny stock," a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock on the secondary market. These factors could significantly negatively affect the market price of our common stock and our ability to raise capital.



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ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 3: LEGAL PROCEEDINGS

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

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## PART II

## ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock began trading on the NYSE American under the symbol "AUMN" on March 19, 2010. The following table sets forth the high and low sales prices per share and volume traded on the NYSE American from January 1, 2016 through December 31, 2017

	High	Low	Volume Traded (shares)
2016			
First Quarter	\$ 0.68	\$ 0.13	16,384,800
Second Quarter	\$ 0.94	\$ 0.31	45,674,400
Third Quarter	\$ 1.16	\$ 0.66	53,664,500
Fourth Quarter	\$ 0.84	\$ 0.58	27,452,000

	High	Low	Volume Traded (shares)
2017			
First Quarter	\$ 0.85	\$ 0.55	18,106,800
Second Quarter	\$ 0.68	\$ 0.45	9,827,800
Third Quarter	\$ 0.64	\$ 0.48	9,855,100
Fourth Quarter	\$ 0.50	\$ 0.37	7,101,300

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Our common stock is also listed on the Toronto Stock Exchange, also referred to as the “TSX”, and trades under the symbol “AUMN”. The following table sets forth the high and low sales prices per share expressed in Canadian dollars and volume traded on the TSX from January 1, 2016 through December 31, 2017.

	High (Cdn\$(1))	Low (Cdn\$(1))	Volume Traded (shares)
2016			
First Quarter	\$ 0.93	\$ 0.19	1,543,600
Second Quarter	\$ 1.22	\$ 0.42	5,822,300
Third Quarter	\$ 1.51	\$ 0.88	5,043,100
Fourth Quarter	\$ 1.10	\$ 0.77	2,239,400

	High (Cdn\$(1))	Low (Cdn\$(1))	Volume Traded (shares)
2017			
First Quarter	\$ 1.10	\$ 0.73	1,549,900
Second Quarter	\$ 0.88	\$ 0.61	676,900
Third Quarter	\$ 0.75	\$ 0.59	274,100
Fourth Quarter	\$ 0.62	\$ 0.47	550,400

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(1) Prices are in Canadian dollars.

As of February 27, 2018, we had 201 record holders of our common stock of record based upon the stockholders list provided by our transfer agent, Computershare Trust Company, N.A.

#### Dividends

We have not declared or paid any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings, if any, to fund the growth of our business.

#### ITEM 6: SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data for all periods presented has been derived from our audited financial statements for that period. Our financial statements are reported in U.S. dollars and have been prepared in accordance with generally accepted accounting principles in the United States. The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the related notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Form 10-K.

	The Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share amounts)				
Statement of Operations:					
Revenue	\$ 6,691	\$ 6,400	\$ 8,071	\$ 235	\$ 10,680
Net Loss(1)	\$ (3,892)	\$ (10,659)	\$ (25,383)	\$ (18,823)	\$ (240,380)
Net Loss per common share	\$ (0.04)	\$ (0.13)	\$ (0.48)	\$ (0.41)	\$ (5.61)

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	At December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:					
Total assets	\$ 13,077	\$ 14,008	\$ 17,001	\$ 41,258	\$ 54,881
Long term liabilities	\$ 3,138	\$ 4,398	\$ 2,840	\$ 4,334	\$ 2,655
Dividends:					
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —

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(1) The year ended December 31, 2015 includes a \$13.2 million impairment of long-lived assets charge. The impairment charge is related to our Velardeña Properties in Mexico and is the result of the shutdown of mining and sulfide processing at the Velardeña Properties in November 2015, which was an event requiring an assessment of the recoverability of the Velardeña Properties assets. There were no such charges during the year ended December 31, 2016. The year ended December 31, 2013 includes a \$244.0 million impairment of long-lived assets charge and an \$11.7 million impairment of goodwill charge. Both charges are related to our Velardeña Properties in Mexico and are the result of a significant decrease in metals prices during 2013 and the shutdown of mining and processing at the Velardeña Properties at the end of the second quarter 2013, which were events requiring an assessment of the recoverability of the Velardeña Properties assets.



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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes beginning on page F-1 in this annual report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "Risk Factors" in this annual report on Form 10-K.

Our Company

We were incorporated in Delaware under the Delaware General Corporation Law in March 2009, and are the successor to Apex Silver Mines Limited for purposes of reporting under the Exchange Act. During the year ended December 31, 2017, our only sources of income were revenues from the lease of our oxide plant, sales of non-core assets, and a tax refund received by an Argentine subsidiary. We incurred net operating losses for the years ended December 31, 2017 and 2016.

We remain focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our Velardeña processing plants. We are also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico. During 2018, we also intend to continue evaluation activities at our El Quevar exploration property in Argentina and our exploration efforts on selected properties in our portfolio of approximately 10 exploration properties located primarily in Mexico.

2017 Highlights

Velardeña Oxide Plant Lease Agreement

In July 2015, we leased our Velardeña oxide plant to a wholly-owned subsidiary of Hecla Mining Company for an initial term of 18 months beginning July 1, 2015. The lease agreement contained several lease extension options, and in the third quarter 2016, the lease was extended through June 2017. The 2016 extension included an agreement under which Hecla would construct, at its cost, certain tailings expansion facilities to accommodate Hecla's increased use of tailings capacity in excess of an agreed amount, while preserving flexibility for future tailings expansions. The tailings

expansion work began in early 2017 and is now completed. The parties agreed that Hecla would either leave unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility, or construct an additional expansion at its cost. In connection with their agreement regarding tailings impoundment expansions, the parties agreed that Hecla had the right to extend the lease for an additional 18 months following June 30, 2017, or until December 31, 2018. On March 24, 2017, Hecla exercised its right to extend the lease until December 31, 2018.

On August 2, 2017, we granted Hecla an option to extend the lease for an additional period of up to two years ending no later than December 31, 2020 (the "Extension Period") in exchange for a \$1.0 million cash payment and the purchase of \$1.0 million, or approximately 1.8 million shares, of our common stock issued at a price of \$0.55 per share, which was the undiscounted 30-day volume weighted average stock price at the time of the option agreement. Hecla must exercise the option to extend the lease no later than October 3, 2018. All of the fixed fees and throughput related charges remain the same as under the original lease. Similar volume limitations apply to any required future tailings expansions, which Hecla will fund, leaving unused at the end of the lease term an agreed amount of capacity in the expanded tailings facility. Hecla will have the right to terminate the lease during the Extension Period for any reason with 120 days' notice. Hecla will also have a one-time right of first refusal to continue to lease the plant following a termination notice through December 31, 2020 if we decide to use the oxide plant for our own purposes before December 31, 2020.

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Hecla is responsible for ongoing operation and maintenance of the oxide plant. During the year ended December 31, 2017, Hecla processed approximately 131,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$6.7 million, comprised of approximately \$3.0 million for direct plant charges plus fixed fees and other net reimbursable costs totaling approximately \$3.7 million. We incurred costs of approximately \$2.1 million related to the services we provide under the lease and reported a net operating margin of approximately \$4.5 million during the year ended December 31, 2017. We expect Hecla to continue to process material near the intended approximately 400 tonnes per day rate during 2018, which would generate cash payments to us, net of reimbursable costs, of approximately \$4.6 million during the full year 2018. However, because Hecla has the right to terminate the lease on sixty days' notice, there is no assurance that these amounts will be received.

### El Quevar

In February 2018 we announced a revised estimate of mineralized material for the Yaxtché deposit at El Quevar based on re-modeling existing previously released data using updated geologic controls and a modeling method that optimizes grade. See “Item 1 and 2: Business and Properties – El Quevar – Mineralized Material Estimate” above.

We are evaluating plans for further exploration drilling to increase the size of the high grade silver resource at or near the Yaxtché deposit and for preparation of a PEA that will use the revised estimate of mineralized material for the Yaxtché deposit as a basis. The Yaxtché deposit is open to the west and there are numerous drill intercepts with silver grades of economic interest in the nearby area that represent targets for further expansion. We plan to continue to advance El Quevar as much as possible within the limits of our current exploration budget and remain open to finding a partner to contribute to the funding of further exploration and development.

During 2017, we received \$1.1 million in refunds of previous VAT payments made in Argentina during 2012 and 2013. The refunds, available through certain provisions in the Argentina Mining Investment Law, have been pending for several years, but were only recently approved for payment by the Argentine tax authority. In February 2018, we received an additional \$138,000 of VAT refunds and we have approximately \$0.1 million of VAT refund claims remaining.

### Santa Maria

Since 2015, we have completed test mining and processing of 7,500 tons from the Santa Maria mine west of Hidalgo de Parral, Chihuahua, with average grades 338 grams per tonne (“gpt”) silver and 0.7 gpt gold. In March 2017, a PEA was completed on our behalf by the engineering firm Tetra Tech, prepared pursuant to Canadian National Instrument 43-101, based on an updated estimate of mineralized material. The PEA presented a base case assessment of developing Santa Maria's mineral deposit. The PEA contemplates a 38-month underground mining operation at a mining rate of 200 tonnes per day using a combination of cut and fill and other mining techniques, and custom milling at a local third-party flotation mill. Based on the assumptions in the PEA, we believe there may be potential to develop a small mining operation at Santa Maria.

In August 2017, we acquired three additional claims that cover the eastward extension of the Santa Maria vein. The new claims provide a 600 meter potential extension to the strike length of the vein system and add substantial downdip expansion potential. In August 2017, we also commenced a new drill program targeting extensions of the vein deposit described in the PEA and recent estimate of mineralized material with the goal of expanding the existing estimate of mineralized material to improve the overall economics reported in the PEA.

Through the end of 2017, we drilled 14 holes totaling approximately 3,300 meters, and have received completed assay results showing mineralized intercepts in most of the holes. We increased the drill program from an original 2,000 meters to approximately 4,800 meters due to the geologic complexity along the eastern extension and newly encountered mineralization on the western extension of the vein system. Based on the results of the 2017 drilling program, we anticipate that we will be able to increase the size of the existing mineralized material estimate, although the extent of that increase

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has not yet been determined. We are continuing to drill in 2018 and have completed 1,000 meters in five drill holes. We will likely complete another 500 meters in three additional drill holes before completing the program, after which we plan to review the drill results and revise the existing PEA and mineralized material estimate.

We have the right to acquire the Santa Maria property under two separate option agreements representing the total concessions that comprise the property for additional payments of \$1.4 million, payable through April 2022. The first option agreement, covering concessions we acquired in August 2014, requires an additional approximately \$0.7 million be paid to acquire a 100% interest in the concessions related to that option by continuing to make minimum payments of \$0.1 in 2018 and \$0.2 in each of the years 2019 through 2021. In addition, until the total due under the first option agreement has been paid, the property owners have the right to 50% of any net profits from mining activities from the concessions related to the option, after reimbursement of all costs incurred by us since April 2015, to the extent that such net profit payments exceed the minimum payments. The second option agreement, covering concessions recently acquired in August 2017, requires an additional approximately \$0.7 million be paid to acquire a 100% interest in the concessions related to that option by making additional payments of \$0.1 million in 2018 and \$0.2 million in each of the years 2019 through 2021.

### Celaya Farm-out

In August 2016, our wholly owned Mexican subsidiary entered into an earn-in agreement with a 100% owned Mexican subsidiary of Electrum Global Holdings, L.P., a privately owned company (together “Electrum”), related to our Celaya exploration property in Mexico. We received an upfront payment of \$0.2 million and Electrum agreed to incur exploration expenditures totaling at least \$0.5 million within the first year of the agreement, reduced by certain costs Electrum previously incurred on the property since December 2015 in its ongoing surface exploration program. Electrum, at its option, can elect to acquire an undivided 60% interest in a joint venture company to be formed to hold the Celaya project after incurring exploration expenditures totaling \$2.5 million during the initial first three years of the agreement. Electrum would serve as manager of the joint venture. Prior to an amendment to the agreement, we would have been allowed to maintain a 40% interest in the Celaya project, following the initial three-year earn-in period, by contributing our pro-rata share of an additional \$2.5 million in exploration or development expenditures incurred over a second three-year period. In February 2018, we amended the Celaya earn-in agreement to permit Electrum to earn, at its option, an additional 20% interest in the Celaya project in exchange for a payment of \$1.0 million. Electrum can now increase its total interest in the project to 80% by contributing 100% of the \$2.5 million of additional expenditures required in the second three-year earn-in period. Following the second earn-in period we will have the right to maintain our 20% participating interest or our interest could ultimately be converted into a carried 10% net profits interest if we elect not to participate as a joint venture owner.

Electrum Global Holdings’ Mexican subsidiary, Minera Adularia, has reported the completion of 12,400 meters of drilling on the property in fifteen drill holes in their ongoing drill program through the end of 2017. Results to date show intercepts of epithermal quartz vein mineralization with grades for gold, silver, lead and zinc that warrant further drill testing.

Other Exploration Activities

Mogotes. During the fourth quarter 2017 we completed a 2,580 meter drill program on our Mogotes property on the El Mogote claim located 7 kilometers southeast of the town of Velardeña, Durango, Mexico. The drill program was planned to test an area of silicification and breccias hosted in volcanic rocks. The altered area is exposed over a strike length of 1.5 kilometers and a width of about 500 meters. Results from the drill program showed low grade gold mineralization in two of the holes. The epithermal system appears to be more deeply centered than the surface geochemical values initially indicated.

Additional targeting work is being carried out on the Mogotes claims including geologic mapping and sampling focused on several outcropping veins in the northern portion of the claims and on our adjacent Pistachon claim, part of

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the Chicago mine holdings. Previous work on the Mogotes property identified the possible continuation of Industrias Peñoles' Santa Maria silver-zinc mine mineralization onto our Mogotes claims.

The Mogotes property was purchased from Silver Standard Resources in 2015 and is wholly owned by one of Golden Minerals' Mexican subsidiaries, subject to a 2% net smelter return royalty to Silver Standard and a pre-existing finder's fee agreement (2% of direct exploration and development expenditures, capped at \$365,000).

Yoquivo. In October 2017 we acquired the right to purchase claims covering the Yoquivo District, Ocampo Municipality, Chihuahua through an option agreement. The Yoquivo District is a past producing, bonanza grade epithermal vein gold and silver district located 35 kilometers southeast of the Ocampo Mining District. We have the right to purchase six claims totaling 1,906 hectares for payment of \$0.5 million over four years plus outstanding claim taxes totaling approximately \$0.1 million. No cash payments to the owner are due until the second anniversary of the agreement. The owner retains a 2% net smelter return royalty capped at \$2.0 million.

Zacatecas. In April 2016, we entered into an option agreement under which Santacruz Silver Mining Ltd. may acquire our interest in certain nonstrategic mineral claims located in the Zacatecas Mining District, Zacatecas, Mexico for a series of payments totaling \$1.5 million, including a final payment of \$0.5 million due in April 2018. To date, Santacruz has paid us approximately \$0.9 million. We amended the option agreement in February 2018 to extend the due dates for the remaining series of payments through September 2018. To complete the acquisition of the Zacatecas Properties Santacruz must now make three additional payments of \$225,000 each in March, June and September 2018. Santacruz has the right to terminate the option agreement at any time, and the agreement could be terminated, at our option, if Santacruz fails to make subsequent payments when due.

Rodeo. During 2016, we completed a 2,080-meter core drilling program at the Rodeo property, approximately 80 kilometers west of the Velardeña Properties in Durango Mexico. The results from the program revealed a gold and silver bearing epithermal vein and breccia system with encouraging gold and silver values over an approximate 50 to 70 meter true width. The system is exposed at the top of a northwesterly striking ridge and dips steeply to the northeast over about one kilometer of strike length. During January 2017, the engineering firm of Tetra Tech completed an estimate of mineralized material at the Rodeo deposit, prepared pursuant to Canadian National Instrument 43-101, containing 3.3 gpt gold and 11 gpt silver for a total of 46,000 ounces of gold and 0.2 million ounces of silver. We believe this material, as currently identified, could provide additional mined material for our Velardeña oxide mill following the completion of the Hecla lease, currently set to expire December 31, 2020.

In initial test work conducted during 2017, we have received confirmation of good gold and silver metallurgical recoveries for milled material. Bottle roll cyanide leach testing of the high-grade samples resulted in gold extractions of 80 to 86 percent. Silver extractions ranged from 72 to 76 percent for all tests. Test work also indicates that the material is not suitable for gold and silver recovery by heap leaching.

Due to the extension of the lease period for the oxide mill, plans to advance the Rodeo project have been delayed until later in 2018.

#### Sale of Mining Equipment

In August 2016, we sold certain mining equipment consisting of two haul trucks, two scoop trams and a compressor to Minera Indé, an indirect subsidiary of The Sentient Group, a related party, for \$687,000. The equipment sold was excess equipment held at our Velardeña Properties that we did not expect to use. We used a third party consultant with experience in the used mining equipment market in Mexico to determine a fair value. We believe the price paid was at least equal to the fair market value of the equipment had it been sold through auction or in the open market. We received 10% of the sales price at the closing of the sale in August, with the additional 90%, plus interest on the unpaid balance at an annual rate of 10%, due in February 2017.



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With the approval of a Special Committee of our Board of Directors, we amended the original equipment sale with Minera Indé on March 31, 2017 to include the sale of an additional piece of excess equipment for \$185,000 and extend the time for payment relating to the original equipment sale. Upon execution of the amendment, we received an additional payment of \$100,000. The remaining principal and interest balance, plus additional interest on the unpaid balance at an annual rate of 10%, was amended to be due in August 2017. On May 2, 2017, we received approximately \$750,000 from Minera Indé as payment in full for the remaining balance due related to the equipment sale, including interest through that date.

### At the Market Offering Program

In December 2016, we entered into an at-the-market offering agreement (as amended from time to time, the “ATM Agreement”) with H. C. Wainwright & Co., LLC (“Wainwright”), under which we may, from time to time, issue and sell shares of our common stock through Wainwright as sales manager in an at-the-market offering under a prospectus supplement for aggregate sales proceeds of up to \$5.0 million or a maximum of 10 million shares. The ATM Agreement will remain in full force and effect until the earlier of December 31, 2018, or until the date that the ATM Agreement is terminated in accordance with the terms therein.

Through December 31, 2017, we have sold an aggregate of approximately 1,024,000 common shares under the ATM Program at an average price of \$0.70 per common share for gross proceeds of approximately \$720,000. We paid cash commissions and other nominal transaction fees to Wainwright totaling approximately \$16,000 or 2.2% of the gross proceeds and incurred additional accounting, legal and regulatory costs of approximately \$34,000.

### Results of Operations

For the results of operations discussed below, we compare the results of operations for the year ended December 31, 2017 to the results of operations for the year ended December 31, 2016.

Revenue from oxide plant lease. We recorded revenue of \$6.7 million and \$6.4 million for the years ended December 31, 2017 and 2016 respectively from the lease of our Velardeña oxide plant to Hecla.

Oxide plant lease costs. During the years ended December 31, 2017 and 2016 we recorded \$2.2 and \$2.0 million, respectively of costs related to the oxide plant lease consisting primarily of reimbursable labor and utility costs which for accounting purposes were also included in revenue from the oxide plant lease.

Exploration Expense. Our exploration expense, including work at the Santa Maria, Mogotes and other properties, totaled \$3.1 million for the year ended December 31, 2017. Our exploration expense, including drilling at the San Luis del Cordero, Santa Maria, and Rodeo properties, totaled \$3.7 million for the year ended December 31, 2016. Exploration expense for both years was incurred primarily in Mexico and includes property holding costs, costs incurred by our local exploration offices, and allocated corporate administrative expenses.

Velardeña shutdown and care and maintenance costs. We recorded \$1.6 million and \$2.0 million for the years ended December 31, 2017 and 2016, respectively, for expenses related to shut down and care and maintenance at our Velardeña Properties as the result of the suspension of mining and processing activities in November 2015. The 2016 expense included certain one-time repair and maintenance costs associated with the plant shut down.

El Quevar Project Expense. During the years ended December 31, 2017 and 2016 we incurred \$0.8 million and \$0.5 million of expenses, respectively, primarily related to holding costs at our El Quevar project in Argentina. The 2017 expense included certain property evaluation costs not incurred in 2016. For both years, additional nominal costs incurred in Argentina and not related to the El Quevar project are included in "Exploration Expense", discussed above.

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**Administrative Expense.** Administrative expenses totaled \$3.5 million for the year ended December 31, 2017 compared to \$3.9 million for the year ended December 31, 2016. Administrative expenses, including costs associated with being a public company, are incurred primarily by our corporate activities in support of the Velardeña Properties, El Quevar project and our exploration portfolio. The \$3.5 million of administrative expenses we incurred during 2017 is comprised of \$1.6 million of employee compensation and directors' fees, \$0.8 million of professional fees and \$1.1 million of insurance, rents, travel expenses, utilities and other office costs. The \$3.9 million of administrative expenses we incurred during 2016 is comprised of \$1.4 million of employee compensation and directors' fees, \$1.3 million of professional fees and \$1.2 million of insurance, travel expenses, rents, utilities and other office costs.

**Stock based compensation.** During the year ended December 31, 2017 we incurred expense related to stock based compensation in the amount of \$0.3 million compared to \$0.6 million for the year ended December 31, 2016. Stock based compensation varies from period to period depending on the number and timing of shares granted, the type of grant, the market value of the shares on the date of grant and other variables. The 2017 and 2016 stock based compensation amounts includes \$0.1 million and \$0.3 million, respectively, related to KELTIP grants made to two officers (see Note 15 to the consolidated financial statements filed as part of this Form 10-K for a discussion of KELTIP grants).

**Reclamation and accretion expense.** During each of the years ended December 31, 2017 and 2016 we incurred \$0.2 million of reclamation expense related to the accretion of an asset retirement obligation at the Velardeña Properties.

**Other Operating Income, Net.** We recorded other operating income of \$2.1 million for the year ended December 31, 2017 compared to \$1.8 million for the year ended December 31, 2016. The net amounts for both years consist primarily of net gains recorded on the sales of certain fixed assets and non-strategic exploration properties. The 2017 amount includes approximately \$0.1 million related to the \$1.0 million lease option extension payment received from Hecla. The lease option extension payment has been recorded as Deferred Revenue and is being amortized to Other Operating Income on a straight-line basis from August 2, 2017 through December 31, 2020.

**Depreciation, depletion and amortization.** During the year ended December 31, 2017 we incurred depreciation, depletion and amortization expense of \$1.0 million compared to \$1.5 million for the year ended December 31, 2016. The decrease in depreciation, depletion and amortization expense during the 2017 period is primarily the result of certain equipment at our Velardeña Properties having been fully depreciated or sold.

**Interest expense.** During the year ended December 31, 2016 we recorded approximately \$0.5 million of interest expense related to the Sentient Loan. The remaining Sentient Loan was fully converted in June 2016 and at December 31, 2016 and 2017 we had no outstanding debt. For the year ended December 31, 2017 we did not record any interest expense.

Interest and Other Income. During the year ended December 31, 2017 we recorded only a nil amount of interest and other income. During the year ended December 31, 2016 we recorded approximately \$0.4 million of interest and other income which included a refund of previously paid social security taxes in Mexico of approximately \$0.4 million.

Warrant loss. For the year ended December 31, 2016 we recorded approximately \$1.7 million of loss related to an increase in the fair value of the liability for warrants to acquire the Company's stock. The warrant liability was recorded at fair value as of December 31, 2016 based primarily on a valuation performed by a third party expert using a Monte Carlo simulation, which falls within Level 3 of the fair value hierarchy. The valuation method is discussed in detail in Note 13 of our consolidated financial statements. We did not record any warrant derivative gains or losses during 2017 following a change in accounting principle and the subsequent reclassification of the warrant liabilities to equity retroactively to the beginning of 2017 (see Note 3 to the consolidated financial statements filed as part of this Form 10-K).

Derivative Loss. For the year ended December 31, 2016 we recorded a \$0.8 million loss related to the fair value adjustment to the beneficial conversion feature of the Sentient Note (as defined herein), which constitutes an imbedded derivative (see Note 10 of our consolidated financial statements filed as part of this Form 10-K). There were no such

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amounts recorded for the year ended December 31, 2017 as the Sentient Note was fully converted and no longer outstanding as of September 30, 2016.

**Gain (Loss) on Foreign Currency.** We recorded a \$0.1 million foreign currency loss in each of the years ended December 31, 2017 and 2016. Foreign currency gains and losses are primarily related to the effect of currency fluctuations on monetary assets net of liabilities held by our foreign subsidiaries that are denominated in currencies other than US dollars.

**Income Taxes.** We recorded \$13,000 of income tax expense for the year ended December 31, 2017 related to a Mexican subsidiary. We recorded no tax expense or benefit for the year ended December 31, 2016.

**Liquidity and Capital Resources**

At December 31, 2017, our aggregate cash and cash equivalents totaled \$3.3 million, \$0.7 million higher than the \$2.6 million in similar assets held at December 31, 2016. The net increase resulted from the following expenditures and cash inflows for the year ended December 31, 2017. Expenditures totaled \$9.0 million from the following:

- \$3.1 million in exploration expenditures, including costs related to drilling at the Santa Maria and Mogotes properties;
- \$1.6 million in care and maintenance costs at the Velardeña Properties;
- \$0.8 million in evaluation activities, care and maintenance and property holding costs at the El Quevar project; and
- \$3.5 million in general and administrative expenses.

The foregoing expenditures were offset by cash inflows of \$9.7 million from the following:

- \$4.5 million of net operating margin received pursuant to the oxide plant lease (defined as oxide plant lease revenue less oxide plant lease costs);
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\$1.9 million from Hecla comprised of \$1.0 million for an option to extend the oxide plant lease for an additional period of up to two years and \$1.0 million for the purchase of 1.8 million shares of the Company's common stock issued at a price of \$0.55 per share, less \$0.1 million in legal and stock exchange issuance costs;

- \$1.1 million in refunds of previous VAT payments made in Argentina during 2012 and 2013;
- \$0.8 million from final payments related to the sale of excess mining equipment to Minera Indé;
- \$0.7 million of net proceeds received from the issuance of our common stock under the ATM Program;
- \$0.5 million from the farm out of certain nonstrategic mineral claims to Santacruz;
- \$0.2 million of net proceeds from the sale of other nonstrategic exploration properties and mining equipment.

In addition to our \$3.3 million cash balance at December 31, 2017, during 2018 we expect to receive approximately \$4.6 million in net operating margin from the lease of the oxide plant and \$0.7 million from Santacruz

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related to the Zacatecas farm out. In addition, subsequent to December 31, 2017 we received \$1.0 million in net proceeds from an amendment to the farm out agreement of the Celaya property to Electrum. If no additional sales of common stock under the ATM Program occur, we project we would end 2018 with a cash balance of \$1.5 million based on the following forecasted expenditures during 2018.

- Approximately \$2.0 million on exploration activities and property holding costs related to our portfolio of exploration properties located primarily in Mexico, including project assessment and evaluation costs relating to Santa Maria, Yoquivo, and other properties;
  
- Approximately \$1.5 million at the Velardeña Properties for care and maintenance;
  
- Approximately \$1.0 million at the El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs;
  
- Approximately \$3.4 million on general and administrative costs; and
  - Approximately \$0.2 million on other working capital.

The actual amount of cash that we receive or the expenditures that we incur during 2018 and the projected cash balances at December 31, 2018 may vary significantly from the amounts specified above and will depend on a number of factors, including variations from anticipated care and maintenance costs at the Velardeña Properties and costs for continued exploration, project assessment, and development at our other exploration properties, including Santa Maria, Yoquivo, and El Quevar. Moreover, if revenues from our oxide plant lease or payments from the exploration farm out agreement are less than anticipated, we may reduce our planned expenditures accordingly.

The consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the normal course of business. However, our continuing long-term operations are dependent upon our ability to secure sufficient funding and to generate future profitable operations. The underlying value and recoverability of the amounts shown as property, plant and equipment in our consolidated financial statements are dependent on our ability to generate positive cash flows from operations and to continue to fund exploration and development activities that would lead to profitable mining activities or to generate proceeds from the disposition of property, plant and equipment. There can be no assurance that we will be successful in generating future profitable operations or securing additional funding in the future on terms acceptable to us or at all. We believe the continuing cash flow from the lease of the oxide plant and prior asset dispositions make it probable that we will have sufficient cash to meet our financial obligations and continue our business strategy beyond one year from the filing of our consolidated financial statements for the period ended December 31, 2017.

## Critical Accounting Policies and Estimates

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have changed. Accounting rules generally do not involve a selection among alternatives, but involve an implementation and interpretation of existing rules, and the use of judgment, to the specific set of circumstances existing in our business. Discussed below are the accounting policies that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

### Mineral Reserves

When and if we determine that a mineral property has proven and probable reserves, subsequent development costs are capitalized to mineral properties. When mineral properties are developed and operations commence, capitalized



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costs are charged to operations using the units-of-production method over proven and probable reserves. “Mineralized material” as used in this annual report, although permissible under SEC’s Industry Guide 7, does not indicate “reserves” by SEC standards, and therefore all development costs incurred by us are expensed when incurred. The Company cannot be certain that any part of the deposits at the Velardeña Properties or the Yaxtché deposit at the El Quevar project will ever be confirmed or converted into SEC Industry Guide 7 compliant “reserves”.

## Asset Retirement Obligations

We record asset retirement obligations in accordance with Auditing Standards Codification (“ASC”) 410, “Asset Retirement and Environmental Obligations” (“ASC 410”), which establishes a uniform methodology for accounting for estimated reclamation and abandonment costs. According to ASC 410, the fair value of a liability for an asset retirement obligation (“ARO”) is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. An offsetting asset retirement cost is capitalized as part of the carrying value of the assets with which it is associated, and depreciated over the useful life of the asset.

## Long Lived Assets

Long lived assets are recorded at cost and per the guidance of ASC 360 the Company assesses the recoverability of its long lived assets, including goodwill, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the sum of estimated future net cash flows on an undiscounted basis is less than the carrying amount of the related asset, impairment is considered to exist. The related impairment loss is measured by comparing estimated future net cash flows on a discounted basis or by comparing other market indicators to the carrying amount of the asset.

## Table of Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2017:

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years	
Contractual Obligations						
	(in thousands of \$)					
Operating leases(1)	567	293	274	—	—	
	940	188	376	376	—	(3)

El Quevar and Velardeña concession payments(2)

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- (1) The operating lease obligations are related to our corporate headquarters office in Golden, Colorado, which expires November 30, 2019, as well as another office lease associated with our Velardeña Properties.
  
- (2) In 2018 and subsequent years, we expect to make annual maintenance payments of approximately \$70,000 to the Mexico federal government to maintain the Velardeña Properties concessions and \$25,000 to maintain related surface rights under a contract with the local community ejido. In 2018 and subsequent years, we expect to pay approximately \$93,000 per year to the Argentina federal government in order to maintain our El Quevar concessions.

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- (3) We cannot currently estimate the life of the Velardeña Properties or El Quevar project. This table assumes that no annual maintenance payments will be made more than five years after December 31, 2017. If we continue to hold the Velardeña Properties concessions beyond five years, we expect that we would make annual maintenance payments of approximately \$70,000 per year for the life of the Velardeña Properties concessions. If we continue to hold the El Quevar concessions beyond five years, we expect that we would make annual maintenance payments of approximately \$93,000 per year for the life of the El Quevar concessions.

From time to time we enter into lease or option agreements related to exploration properties that are of interest to us. These agreements typically contain escalating payments required to maintain our exploration rights to the property. Such agreements are not included in the above table because exploration success is historically low and we have the right to terminate the agreements at any time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We invest substantially all of our excess cash with high credit-quality financial institutions or in U.S. government and debt securities rated “investment grade” or better. The rates received on such investments may fluctuate with changes in economic conditions. Based on the average cash, restricted cash, investments and restricted investment balances outstanding during the year ended December 31, 2017, a 1.0% decrease in interest rates would have resulted in a reduction in interest income for the period of less than approximately \$0.1 million.

Foreign Currency Exchange Risk

Although most of our expenditures are in U.S. dollars, certain purchases of labor, supplies and capital assets are denominated in other currencies. As a result, currency exchange fluctuations may impact the costs of our mining and exploration activities. To reduce this risk, we maintain minimum cash balances in foreign currencies and complete most of our purchases in U.S. dollars.

## Commodity Price Risk

We are primarily engaged in the exploration and mining of properties containing silver, gold, zinc, lead and other minerals. As a result, decreases in the price of any of these metals have the potential to negatively impact our ability to establish reserves and mine on our properties. For further detail regarding the effect on our expected cash flow from fluctuations in silver and gold prices, see “Item 7: Management’s Discussion and Analysis—Liquidity and Capital Resources” above.

## ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary information filed as part of this Item 8 are listed under Part IV, Item 15, “Exhibits, Financial Statement Schedules” and contained in this annual report on Form 10-K at page F-1.

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

None.

ITEM 9A: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The management of Golden Minerals Company has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2017.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2017, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective and designed to provide reasonable assurance that (i) information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

The management of Golden Minerals, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our assessment, management has concluded that, as of December 31, 2017, our internal control over financial reporting is effective based on these criteria.

#### Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### ITEM 9B: OTHER INFORMATION

None.

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PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

For Information regarding our executive officers, see “Items 1 and 2: Business and Properties—Executive Officers of Golden Minerals” and “Items 1 and 2: Business and Properties—Board of Directors of Golden Minerals.”

Additional information is incorporated by reference from the information in our proxy statement for the 2018 Annual Meeting of Stockholders, which we will file with the Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

We have adopted a code of ethics that applies to all of our employees, including the principal executive officer, principal financial officer, principal accounting officer, and those of our officers performing similar functions. The full text of our code of ethics can be found on the Corporate Governance page on our website. In the event our Board of Directors approves an amendment to or waiver from any provision of our code of ethics, we will disclose the required information pertaining to such amendment or waiver on our website.

ITEM 11: EXECUTIVE COMPENSATION

Incorporated by reference from the information in our proxy statement for the 2018 Annual Meeting of Stockholders, which we will file with the Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

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

Incorporated by reference from the information in our proxy statement for the 2018 Annual Meeting of Stockholders, which we will file with the Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

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

Incorporated by reference from the information in our proxy statement for the 2018 Annual Meeting of Stockholders, which we will file with the Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the information in our proxy statement for the 2018 Annual Meeting of Stockholders, which we will file with the Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.



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PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

a. Documents filed as part of this annual report on Form 10-K or incorporated by reference:

- (1) Our consolidated financial statements are listed on the “Index to Financial Statements” on Page F-1 to this report.
- (2) Financial Statement Schedules (omitted because they are either not required, are not applicable, or the required information is disclosed in the notes to the financial statements or related notes).
- (3) The following exhibits are filed with this annual report on Form 10-K or incorporated by reference.

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ITEM 16: PREPARATION OF STATEMENT OR REPORT

Not applicable

EXHIBITS

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of Golden Minerals Company.(2)</u>
3.2	<u>First Amendment to the Amended and Restated Certificate of Incorporation of Golden Minerals Company.(3)</u>
3.3	<u>Second Amendment to the Amended and Restated Certificate of Incorporation of Golden Minerals Company. (17)</u>
3.4	<u>Bylaws of Golden Minerals Company.(2)</u>
4.1	<u>Specimen of Common Stock Certificate.(4)</u>
4.2	<u>Warrant Agreement by and between Golden Minerals Company and Computershare Trust Company N.A. dated as of September 19, 2012, as amended by Amendment No. 1 dated as of March 7, 2014, as further amended by Amendment No. 2 dated as of May 2, 2016.(1) (16)</u>
4.3	<u>Warrant by and between Golden Minerals Company and Sentient Global Resources Fund IV, L.P. dated as of September 19, 2012.(1)</u>
4.4	<u>Warrant Agreement by and between Golden Minerals Company and Computershare Trust Company N.A. dated as of September 10, 2014 (Public Offering). (11)</u>
4.5	<u>Warrant Agreement by and between Golden Minerals Company and Computershare Trust Company N.A. dated as of September 10, 2014 (Sentient Private Placement), as amended by Amendment No. 1 dated as of May 2, 2016. (12) (16)</u>
4.6	<u>Warrant Agreement by and between Golden Minerals Company and Computershare Trust Company N.A., dated as of May 6, 2016. (16)</u>
10.1	<u>Form of Indemnification Agreement.(2)</u>
10.2	<u>Form of Change of Control Agreement.(2)</u>

10.3 Amendment No. 1 to Change of Control Agreement.(5)

10.4 Golden Minerals Company Amended and Restated 2009 Equity Incentive Plan.(6)

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- 10.5 Form of Restricted Stock Award Agreement Pursuant to the 2009 Equity Incentive Plan.(7)
- 10.6 Non-Employee Directors Deferred Compensation and Equity Award Plan.(7)
- 10.7 Form of Non-Qualified Stock Option Award Agreement Pursuant to the Amended and Restated 2009 Equity Incentive Plan.(8)
- 10.8 Registration Rights Agreement by and among Golden Minerals Company, Sentient Global Resources Fund III, L.P., SGRF III Parallel I, L.P. and Sentient Global Resources Fund IV, L.P. dated as of October 7, 2011.(9)
- 10.9 Registration Rights Agreement between Golden Minerals Company and Sentient Global Resources Fund IV, L.P. dated as of September 19, 2012.(1)
- 10.10 Subscription Agreement between Golden Minerals Company and Sentient Global Resources Fund IV, L.P. dated as of September 10, 2014.(12)
- 10.11 Registration Rights Agreement between Golden Minerals Company and Sentient Global Resources Fund IV, L.P. dated as of September 10, 2014.(11)
- 10.12 Golden Minerals Company 2013 Key Employee Long-Term Incentive Plan.(10)
- 10.13 Master Agreement and Lease Agreement, dated as of July 1, 2015, by and between Minera William S.A de C.V. and Minera Hecla, S.A. de C.V., as amended by the First Amendment to Master Agreement and Lease Agreement, dated as of July 1, 2016, as further amended by the Second Amendment to the Master Agreement and Lease Agreement, dated as of August 2, 2017. (13) (21) (23)
- 10.14 Contract of Mining Exploration and Exploitation, dated as of November 13, 2015, by and between Minera William S.A. de C.V. and Minera Fumarola, S.A. de C.V, a wholly owned subsidiary of Prospero Silver Corp. (14)
- 10.15 Registration Rights Agreement between Golden Minerals Company and Sentient Global Resources Fund IV, L.P. dated as of February 11, 2016.(15)
- 10.16 Form of Securities Purchase Agreement between Golden Minerals Company and certain institutional investors, dated as of May 2, 2016. (16)
- 10.17 Registration Rights Agreement between Golden Minerals Company and Sentient Global Resources Fund IV, L.P. dated as of June 10, 2016. (18)
- 10.18 Assignment of Rights Agreement between Minera William, S.A. de C.V. and Golden Tag de Mexico, S.A. de C.V. dated as of August 2, 2016. (19)

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10.19	<u>Form of Unit Agreement Pursuant to the 2013 Key Employee Long-Term Incentive Plan. (20)</u>
10.20	<u>At the Market Offering Agreement, dated as of December 20, 2016, between Golden Minerals Company and H.C. Wainwright &amp; Co., LLC. (22)</u>
10.21	<u>Option Agreement, dated as of August 2, 2017, between Golden Minerals Company and Hecla Mining Company. (23)</u>
21.1	<u>Subsidiaries of the Company.*</u>
23.1	<u>Consent of EKS&amp;H LLLP.*</u>
23.2	<u>Consent of Tetra Tech.*</u>
23.3	<u>Consent of Wood Group PLC *</u>
31.1	<u>Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).*</u>
31.2	<u>Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).*</u>
32.1	<u>Certificate of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).**</u>
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Definition Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*

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(1) Incorporated by reference to our Current Report on Form 8-K filed September 19, 2012.

(2) Incorporated by reference to our Current Report on Form 8-K filed March 30, 2009.

(3) Incorporated by reference to our Current Report on Form 8-K filed September 9, 2011.

(4) Incorporated by reference to our Form S-1/A Registration Statement filed November 16, 2009.



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- (5) Incorporated by reference to our Current Report on Form 8-K filed May 28, 2013.
- (6) Incorporated by reference to our Quarterly Report on Form 10-Q filed August 6, 2014.
- (7) Incorporated by reference to our Quarterly Report on Form 10-Q filed August 10, 2009.
- (8) Incorporated by reference to our Quarterly Report on Form 10-Q filed May 4, 2010.
- (9) Incorporated by reference to our Current Report on Form 8-K filed October 11, 2011.
- (10) Incorporated by reference to our Current Report on Form 8-K filed December 18, 2013.
- (11) Incorporated by reference to our Current Report on Form 8-K filed September 10, 2014.
- (12) Incorporated by reference to our Quarterly Report on Form 10-Q filed November 6, 2014.
- (13) Incorporated by reference to our Current Report on Form 8-K filed July 20, 2015.
- (14) Incorporated by reference to our Current Report on Form 8-K filed on November 18, 2015.
- (15) Incorporated by reference to our Current Report on Form 8-K filed on February 18, 2016.
- (16) Incorporated by reference to our Current Report on Form 8-K filed on May 6, 2016.
- (17) Incorporated by reference to our Current Report on Form 8-K filed on May 20, 2016.
- (18) Incorporated by reference to our Current Report on Form 8-K filed on June 14, 2016.
- (19) Incorporated by reference to our Current Report on Form 8-K filed on August 5, 2016.
- (20) Incorporated by reference to our Quarterly Report on Form 10-Q filed August 11, 2016.
- (21) Incorporated by reference to our Quarterly Report on Form 10-Q filed on November 3, 2016.

(22) Incorporated by reference to our Current Report on Form 8-K filed on December 20, 2016.

(23) Incorporated by reference to our Current Report on Form 8-K filed on August 3, 2017.

\* Filed herewith.

\*\* Furnished herewith.



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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 1, 2018 GOLDEN MINERALS COMPANY  
Registrant

By: /s/ WARREN M. REHN  
Warren M. Rehn  
President and Chief Executive Officer

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

Signature	Title	Date
/s/ WARREN M. REHN Warren M. Rehn	President and Chief Executive Officer (Principal Executive Officer)	March 1, 2018
/s/ ROBERT P. VOGELS Robert P. Vogels	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2018
/s/ JEFFREY G. CLEVINGER Jeffrey G. Clevenger	Chairman of the Board of Directors	March 1, 2018
/s/ W. DURAND EPPLER W. Durand Eppler	Director	March 1, 2018
/s/ IAN MASTERTON-HUME Ian Masterton-Hume	Director	March 1, 2018
/s/ KEVIN R. MORANO Kevin R. Morano	Director	March 1, 2018

/s/ TERRY M. PALMER	Director	March 1, 2018
Terry M. Palmer		
/s/ ANDREW N. PULLAR	Director	March 1, 2018
Andrew N. Pullar		
/s/ DAVID H. WATKINS	Director	March 1, 2018
David H. Watkins		

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GOLDEN MINERALS COMPANY

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX

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<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets at December 31, 2017 and 2016</u>	F-3
<u>Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2017 and December 31, 2016</u>	F-4
<u>Consolidated Statements of Changes in Equity for the years ended December 31, 2017 and December 31, 2016</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2017 and December 31, 2016</u>	F-6
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors

Golden Minerals Company

Golden, Colorado

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Golden Minerals Company and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, changes in equity, and cash flows, for each year in the two year period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each year in the two year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

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

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

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

/s/ EKS&H LLLP

March 1, 2018  
Denver, Colorado

We have served as the Company's auditor since 2013.

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## GOLDEN MINERALS COMPANY

## CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

	December 31, 2017	December 31, 2016
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents (Note 4)	\$ 3,250	\$ 2,588
Short-term investments (Note 4)	238	334
Lease receivables	314	380
Inventories, net (Note 6)	242	245
Value added tax receivable, net (Note 7)	148	5
Related party receivable (Note 23)	—	643
Prepaid expenses and other assets (Note 5)	745	578
Total current assets	4,937	4,773
Property, plant and equipment, net (Note 8)	8,140	9,235
Total assets	\$ 13,077	\$ 14,008
Liabilities and Equity		
Current liabilities		
Accounts payable and other accrued liabilities (Note 9)	\$ 1,556	\$ 1,224
Deferred revenue, current (Note 16)	293	—
Other current liabilities	9	24
Total current liabilities	1,858	1,248
Asset retirement and reclamation liabilities (Note 11)	2,495	2,434
Deferred revenue, non-current (Note 16)	600	—
Warrant liability - related party (Note 13)	—	976
Warrant liability (Note 13)	—	922
Other long term liabilities	43	66
Total liabilities	4,996	5,646
Commitments and contingencies (Note 20)		
Equity (Note 15)		
Common stock, \$.01 par value, 200,000,000 shares authorized; 91,929,709 and 89,020,041 shares issued and outstanding, respectively	919	889
Additional paid in capital	516,284	495,455
Accumulated deficit	(509,082)	(488,037)
Accumulated other comprehensive (loss) income	(40)	55
Shareholders' equity	8,081	8,362
Total liabilities and equity	\$ 13,077	\$ 14,008

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

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## GOLDEN MINERALS COMPANY

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in United States dollars)

	Year Ended December 31,	
	2017	2016
	(in thousands, except per share data)	
Revenue:		
Oxide plant lease (Note 16)	\$ 6,691	\$ 6,400
Total revenue	6,691	6,400
Costs and expenses:		
Oxide plant lease costs (Note 16)	(2,189)	(2,046)
Exploration expense	(3,091)	(3,718)
El Quevar project expense	(822)	(508)
Velardeña shutdown and care and maintenance costs	(1,589)	(2,016)
Administrative expense	(3,512)	(3,890)
Stock based compensation	(296)	(593)
Reclamation expense	(196)	(192)
Other operating income, net (Notes 7 and 8)	2,093	1,790
Depreciation and amortization	(952)	(1,548)
Total costs and expenses	(10,554)	(12,721)
Loss from operations	(3,863)	(6,321)
Other income and (expense):		
Interest expense (Note 10)	—	(515)
Interest and other income (Note 17)	37	390
Warrant derivative loss (Notes 3 and 18)	—	(1,688)
Derivative loss (Note 18)	—	(778)
Loss on debt extinguishment (Note 10)	—	(1,653)
Loss on foreign currency	(53)	(94)
Total other income (expense)	(16)	(4,338)
Loss from operations before income taxes	(3,879)	(10,659)
Income tax expense	(13)	—
Net loss	\$ (3,892)	\$ (10,659)
Comprehensive loss, net of tax:		
Unrealized (loss) gain on securities	(95)	182
Comprehensive loss	\$ (3,987)	\$ (10,477)
Net loss per common share — basic		
Loss	\$ (0.04)	\$ (0.13)
Weighted average Common Stock outstanding - basic (1)	90,468,606	81,651,896

(1) Potentially dilutive shares have not been included because to do so would be anti-dilutive



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

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## GOLDEN MINERALS COMPANY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in United States dollars)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Capital	Deficit	(loss)	Equity
	(in thousands except share data)					
Balance, December 31, 2015	53,335,333	\$ 534	\$ 484,742	\$ (477,378)	\$ (127)	\$ 7,771
Stock compensation accrued and shares issued for vested stock awards	317,968	2	250	—	—	252
Shares issued on conversion of Sentient Note (Note 10)	27,366,740	273	6,944	—	—	7,217
Registered offering common stock, net and warrants (Note 15)	8,000,000	80	3,519	—	—	3,599
Unrealized gain on marketable equity securities, net of tax	—	—	—	—	182	182
Net loss	—	—	—	(10,659)	—	(10,659)
Balance, December 31, 2016	89,020,041	\$ 889	\$ 495,455	\$ (488,037)	\$ 55	\$ 8,362
Cumulative adjustment related to change in accounting principle (Note 3)	—	—	19,046	(17,148)	—	1,898
Adjusted balance at January 1, 2017	89,020,041	\$ 889	\$ 514,501	\$ (505,185)	\$ 55	\$ 10,260
Stock compensation accrued and shares issued for vested stock awards	200,000	1	196	—	—	197
Shares issued under the at-the-market offering agreement, net (Note 15)	1,024,392	10	671	—	—	681
	1,811,015	18	912	—	—	930

Consideration shares sold to Hecla, net (Notes 15 and 16)						
Cancellation of treasury shares (Note 15)	(125,739)	1	(1)	—	—	—
Deemed dividend on warrants (Note 3)	—	—	5	(5)	—	—
Unrealized loss on marketable equity securities, net of tax	—	—	—	—	(95)	(95)
Net loss	—	—	—	(3,892)	—	(3,892)
Balance, December 31, 2017	91,929,709	\$ 919	\$ 516,284	\$ (509,082)	\$ (40)	\$ 8,081

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

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## GOLDEN MINERALS COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

	Year Ended December 31,	
	2017	2016
	(in thousands)	
Cash flows from operating activities:		
Net cash used in operating activities (Note 19)	\$ (1,630)	\$ (6,205)
Cash flows from investing activities:		
Proceeds from sale of assets	762	1,167
Acquisitions of property, plant and equipment	(81)	(50)
Net cash from investing activities	\$ 681	\$ 1,117
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	1,611	3,599
Net cash from financing activities	\$ 1,611	\$ 3,599
Net increase (decrease) in cash and cash equivalents	662	(1,489)
Cash and cash equivalents, beginning of period	2,588	4,077
Cash and cash equivalents, end of period	\$ 3,250	\$ 2,588

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

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

1. Nature of Operations

The Company is a mining company, holding a 100% interest in the Velardeña and Chicago precious metals mining properties and associated oxide and sulfide processing plants in Mexico (the “Velardeña Properties”). During November 2015 the Company suspended mining and sulfide processing activities at its Velardeña Properties in order to conserve the asset until the Company is able to develop mining and processing plans that at then current prices for silver and gold indicate a sustainable positive operating margin (defined as revenues less costs of sales) or the Company is able to locate, acquire and develop alternative mineral sources that could be economically mined and transported to the Velardeña Properties for processing. The Company expects to incur approximately \$0.4 million in quarterly care and maintenance costs at the Velardeña Properties while mining and processing remain suspended.

The Company has retained a core group of employees at the Velardeña Properties, most of whom have been assigned to operate and provide administrative support for the oxide plant, which is leased to a subsidiary of Hecla Mining Company (“Hecla”) and not affected by the shutdown. The oxide plant began processing material for Hecla in mid-December 2015, and the Company received net cash flow under the lease of approximately \$4.5 million and \$4.4 million in 2017 and 2016 respectively. During March 2017, Hecla exercised its right to extend the lease through December 31, 2018. On August 2, 2017, the Company granted Hecla an option to extend the lease for an additional period of up to two years ending no later than December 31, 2020 in exchange for a \$1.0 million cash payment and the purchase of \$1.0 million, or approximately 1.8 million shares of the Company’s common stock, issued at a price of \$0.55 per share, which was the undiscounted 30-day volume weighted average stock price at the time of sale (see Note 15). The retained employees also include an exploration group and an operations and administrative group to continue to advance the Company’s plans in Mexico, oversee corporate compliance activities, and to maintain and safeguard the longer term value of the Velardeña Properties assets.

The Company remains focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our processing plants at the Velardeña Properties. The Company is also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico. The Company is continuing its exploration efforts on selected properties in its portfolio of approximately 10 exploration properties located primarily in Mexico. The Company is also conducting evaluation activities at its El Quevar advanced exploration property in Argentina and remains open to finding a partner to contribute to the funding of further exploration.

The Company is considered an exploration stage company under the criteria set forth by the SEC as the Company has not yet demonstrated the existence of proven or probable mineral reserves, as defined by SEC Industry Guide 7, at the Velardeña Properties, or any of the Company's other properties. As a result, and in accordance with GAAP for exploration stage companies, all expenditures for exploration and evaluation of the Company's properties are expensed as incurred. As such the Company's financial statements may not be comparable to the financial statements of mining companies that do have proven and probable mineral reserves. Such companies would typically capitalize certain development costs including infrastructure development and mining activities to access the ore. The capitalized costs would be amortized on a units-of-production basis as reserves are mined. The amortized costs are typically allocated to inventory and eventually to cost of sales as the inventories are sold. As the Company does not have proven and probable reserves, substantially all expenditures at the Company's Velardeña Properties for mine construction activity, as well as costs associated with the mill facilities, and for items that do not have a readily identifiable market value apart from the mineralized material, have been expensed as incurred. Such costs are charged to cost of metals sold or project expense during the period depending on the nature of the costs. Certain of the costs may be reflected in inventories prior to the sale of the product. The term "mineralized material" as used herein, although permissible under SEC Industry Guide 7, does not indicate "reserves" by

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

SEC standards. The Company cannot be certain that any deposits at the Velardeña Properties or any other exploration property will ever be confirmed or converted into SEC Industry Guide 7 compliant “reserves”.

2.Summary of Significant Accounting Policies

The Company’s consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of the Company’s consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to mineralized material and related future metals prices that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production depreciation, depletion and amortization calculations; environmental reclamation and closure obligations; estimates of recoverable metals in stockpiles; valuation allowances for deferred tax assets and the fair value of financial instruments. The Company based its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ significantly from these estimates under different assumptions or conditions.

The policies adopted, considered by management to be significant, are summarized as follows:

a.Basis of consolidation

All of the Company’s consolidated subsidiaries are 100% owned and as such the Company does not have a noncontrolling interest in any of its subsidiaries. All intercompany transactions and balances have been eliminated at consolidation.

b. Translation of foreign currencies

Substantially all expenditures and sales are made in U.S. dollars. Accordingly, the Company and its subsidiaries use the U.S. dollar as their functional and reporting currency.

c. Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Inventories

Materials and supplies inventories are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight. The Company routinely counts and evaluates its material and supplies to determine the existence of any obsolete stock that is subject to impairment.

e. Mining properties, exploration and development costs

The Company expenses general prospecting costs and the costs of acquiring and exploring unevaluated mineral properties. When a mineral property is determined to have proven and probable reserves, subsequent development costs are capitalized to mineral properties. For acquired mineral properties with proven and probable reserves, the Company capitalizes acquisition costs and subsequent development costs. When mineral properties are developed and operations

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

commence, capitalized costs are charged to operations using the units-of-production method over proven and probable reserves. Upon abandonment or sale of a mineral property, all capitalized costs relating to the specific property are written off in the period abandoned or sold and a gain or loss is recognized in the accompanying Consolidated Statements of Operations and Comprehensive Loss.

As discussed in Note 1, the Company is considered an exploration stage company under the criteria set forth by the SEC since it has not yet demonstrated the existence of proven or probable reserves at the Velardeña Properties, or any of the Company's other properties. As such, the Company expenses costs as incurred related to any extraction of mineralized material at its Velardeña Properties. The Company established a cost basis for the mineralized material at the Velardeña Properties as a result of purchase accounting for the Company's business combination transaction with ECU Silver Mining Inc. ("ECU") in September 2011, the transaction pursuant to which the Company acquired the Velardeña Properties. Mineral properties acquired in the ECU merger were recorded at estimated fair market value based on valuations performed with the assistance of an independent appraisal firm and a minerals engineering company. Although the Company has not demonstrated the existence of proven and probable reserves, and the Company has not completed a pre-feasibility economic assessment, the Company had established the existence of mineralized material that was used in assigning value to mineral properties for purchase accounting purposes. The subsequent extraction of this mineralized material has provided a reasonable basis for the calculation of units-of-production depreciation for the cost basis in the mineral properties.

On a quarterly basis the Company evaluates its exploration properties to determine if they meet the Company's minimum requirements for continued evaluation. The rights to the properties that do not meet the minimum requirements are relinquished and the carrying values, if any, are written off and reflected in "Other operating income, net" on the accompanying Consolidated Statements of Operations and Comprehensive Loss.

f. Property, plant and equipment and long lived asset impairment

Buildings are depreciated using the straight-line method over the estimated useful lives of 30 to 40 years or the life of the mine whichever is shorter. Mining equipment and machinery, excluding the plant, are depreciated using the straight-line method over useful lives of three to eight years or the lease period, whichever is shorter. Mineral properties and the plant are depreciated using units of production based on estimated mineralized material. Other furniture and equipment are depreciated using the straight-line method over estimated useful lives of three to five years.

As discussed above, the Company does not have any properties with proven or probable reserves including the Velardeña Properties.

Property, plant and equipment are recorded at cost and per the guidance of ASC 360 the Company assesses the recoverability of its property, plant and equipment, including goodwill, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the sum of estimated future net cash flows on an undiscounted basis is less than the carrying amount of the related asset, impairment is considered to exist. The related impairment loss is measured by comparing estimated future net cash flows on a discounted basis or by comparing other market indicators to the carrying amount of the asset.

The Company evaluated its remaining long lived assets at December 31, 2016 and 2017, and determined that no impairment was required.

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

g.Asset Retirement Obligations

The Company records asset retirement obligations (“ARO”) in accordance with ASC 410, “Asset Retirement and Environmental Obligations” (“ASC 410”), which establishes a uniform methodology for accounting for estimated reclamation and abandonment costs. According to ASC 410, the fair value of an ARO is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. An offsetting asset retirement cost (“ARC”) is capitalized as part of the carrying value of the assets with which it is associated, and depreciated over the useful life of the asset (see Note 11).

The Company prepares estimates of the timing and amount of expected cash flows when an ARO is incurred. The fair value of the ARO is measured by discounting the expected cash flows using a discount rate that reflects the credit adjusted risk-free rate of interest. The Company records the fair value of an ARO when it is incurred and layer adjustments of the ARO are recorded as an adjustment to the corresponding ARC. The ARO is adjusted to reflect the passage of time (accretion cost) calculated by applying the discount rate implicit in the initial fair value measurement to the beginning-of-period carrying amount of the ARO. The Company records accretion costs to expense as incurred.

h.Revenue Recognition

The Company recognizes oxide plant lease fees and reimbursements for labor, utility and other costs as "Revenue from Oxide plant lease" in the Consolidated Statements of Operations and Comprehensive Loss following the guidance of ASC 605 regarding "income statement characterization of reimbursements received for "out-of-pocket" expenses incurred" and "reporting revenue gross as a principal versus net as an agent". ASC 605 supports recording as gross revenue fees received for the reimbursement of expenses in situations where the recipient is the primary obligor and has certain discretion in the incurrence of the reimbursable expense. The actual costs incurred for the reimbursed labor, utility and other costs are reported as "Oxide plant lease costs" in the Consolidated Statement of Operations and Comprehensive Loss. The Company recognizes lease fees during the period as fees are earned per the terms of the lease (see Note 16).

iStock compensation

Stock based compensation costs are recognized per the guidance of ASC 718, “Compensation — Stock Compensation” (“ASC 718”), using a graded vesting attribution method whereby costs are recognized over the requisite service period for each separately vesting portion of the award (see Note 15). Stock grants are valued at their grant date at fair value which in the case of options requires the use of the Black-Scholes option pricing model. Per ASC 718 the grants may be classified as equity grants or liability grants depending on the terms of the grant.

j. Net income (loss) per Share of Common Stock

Basic income (loss) per share is computed by dividing net income (loss) available to holders of the Company’s Common Stock by the weighted average number of shares of Common Stock outstanding for the period. Diluted income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue Common Stock were exercised or converted into Common Stock.

At December 31, 2017 and 2016, all potentially dilutive shares were excluded from the computation of diluted earnings per share because to include them would have been anti-dilutive.

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

k.Comprehensive Income (Loss)

Comprehensive income (loss) is defined as all changes in equity (deficit), exclusive of transactions with stockholders, such as capital investments. Comprehensive income (loss) includes net income (loss) and changes in certain assets and liabilities that are reported directly in equity. For the years ended December 31, 2017 and 2016 Comprehensive loss included the change in the market value of available for sale securities and is reported on the Consolidated Statements of Operations and Comprehensive Income (Loss).

l.Income Taxes

The Company accounts for income taxes in accordance with the provisions of ASC 740, "Income Taxes" ("ASC 740"), on a tax jurisdictional basis. The Company files United States and certain other foreign country income tax returns, and pays taxes reasonably determined to be due. The tax rules and regulations in these countries are highly complex and subject to interpretation. The Company's income tax returns are subject to examination by the relevant taxing authorities and in connection with such examinations, disputes can arise with the taxing authorities over the interpretation or application of certain tax rules within the country involved. In accordance with ASC 740, the Company identifies and evaluates uncertain tax positions, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet.

The Company classifies income tax related interest and penalties as income tax expense.

m.Recently Adopted Standards

In July 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-11, "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part 1) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non public Entities and Certain Mandatorily Redeemable

Non-controlling Interests with a Scope Exception” (“ASU 2017-11”). Part I relates to the accounting for certain financial instruments with down round features in Subtopic 815-40, which is considered in determining whether an equity-linked financial instrument qualifies for a scope exception from derivative accounting. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced based on the pricing of future equity offerings. An entity still is required to determine whether instruments would be classified as equity under the guidance in Subtopic 815-40 in determining whether they qualify for that scope exception. If they do qualify, freestanding instruments with down round features are no longer classified as liabilities. ASU 2017-11 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted, including in an interim period. The Company early adopted ASU 2017-11 during the interim period ended September 30, 2017 (see Note 3).

In March 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”), which simplifies several aspects of the accounting for share-based payment award transactions including accounting for income taxes and classification of excess tax benefits on the statement of cash flows, forfeitures and minimum statutory tax withholding requirements. For the Company, ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of ASU 2016-09 in 2017 did not materially change the Company’s previous accounting methods and therefore did not have a material impact on the Company’s consolidated financial position or results of operation.

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes: Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”). ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The adoption of ASU 2015-17 in 2017 did not materially change the Company’s previous accounting methods and therefore did not have a material impact on the Company’s consolidated financial position or results of operation.

In July 2015, the FASB issued ASU No. 2015-11, “Inventory, Simplifying the Measurement of Inventory” (“ASU 2015 11”). ASU 2015-11 affects reporting entities that measure inventory using first-in, first-out or average cost. ASU 2015 11 requires that inventory be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016. The adoption of ASU 2015-11 in 2017 did not materially change the Company’s previous accounting methods and therefore did not have a material impact on the Company’s consolidated financial position or results of operation.

On August 27, 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014 15”). ASU 2014-15 will require management to evaluate whether there are conditions and events that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the financial statements are issued on both an interim and annual basis. Management is required to provide certain footnote disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the Company’s ability to continue as a going concern. The Company adopted ASU 2014-15 in 2016 and has since included disclosures in its financial statements consistent with the pronouncement.

n.Recently Issued Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 modifies the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the more timely recognition of losses. ASU 2016-13 will be effective for the Company as of January 1, 2020. As the Company’s principle credit risk is related to its Lease Receivables the Company does not expect the adoption of this update to

result in a material impact on its consolidated financial position or results of operations.

In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” (“ASU 2016-08”), which clarifies principal versus agent when another party, along with the entity, is involved in providing a good or service to a customer. Topic 606, Revenue from Contracts with Customers, requires an entity to determine whether the nature of its promise is to provide that good or service to the customer (i.e., the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (i.e., the entity is an agent). For the Company, ASU 2016-08 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. As the Company’s current accounting practices per the guidance of ASC 605 are comparable to the requirements of ASU 2016-08, the Company does not expect the adoption of this update to result in a material impact on its consolidated financial position or results of operations or the requirement for retrospective reporting.

In February 2016, the FASB issued ASU 2016-02, “Leases” (“ASU 2016-02”), which will require lessees to recognize a right-of-use asset and a lease liability for all leases with terms greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income

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GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

statement. For a lessor, the accounting applied is largely unchanged from previous guidance. The new rules will be effective for the Company in the first quarter of 2019. The Company does not anticipate early adoption. The Company currently leases administrative offices in the U.S. and in several foreign locations under lease agreements that typically exceed one year. Depending on the number of years remaining under such lease agreements the right-of-use assets and lease liabilities that the Company would record under ASU 2016-2 could be material.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01") which amended its standards related to the accounting of certain financial instruments. This amendment addresses certain aspects of recognition, measurement, presentation and disclosure. The new rules will become effective for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted. The Company does not expect the adoption of ASU 2016-01 to materially change its current accounting methods and therefore the Company does not expect the adoption to have a material impact on its consolidated financial position or results of operations.

In May 2014, FASB and the International Accounting Standards Board issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized and the related cash flows. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017; early adoption is not permitted. ASU 2014-09 was originally effective December 15, 2016 but ASU 2015-14 deferred the effective date by one year. As the Company's current accounting practices per the guidance of ASU 2014-09 are comparable to the requirements of ASU 2014-09, the Company does not expect the adoption of this update to result in a material impact on its consolidated financial position or results of operations.

### 3. Change in Accounting Principle

In July 2017, the FASB issued ASU 2017-11. Part I relates to the accounting for certain financial instruments with down round features in Subtopic 815-40, which is considered in determining whether an equity-linked financial instrument qualifies for a scope exception from derivative accounting. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced based on the pricing of future equity offerings. An entity still is required to determine whether instruments would be classified in equity under the guidance in Subtopic 815-40 in determining whether they qualify for that scope exception. If they do

qualify, freestanding instruments with down round features are no longer classified as liabilities. In the case where the exception from derivative accounting does not apply, warrants must be accounted for as a liability and recorded at fair value at the date of grant and re-valued at the end of each reporting period.

The Company's September 2012 and 2014 warrants (see Note 15) include anti-dilution provisions characterized as down round features and have previously been accounted for as liabilities, with the fair value of the warrant liabilities remeasured at each reporting date and the change in liabilities recorded as other non-operating income or loss. The Company had recorded a "Warrant liability" of \$1.9 million and a warrant derivative gain of \$17.1 million in its "Accumulated deficit" as reported in its Condensed Consolidated Balance Sheets for the year ended December 31, 2016 relating to the September 2012 and 2014 warrants. The Company had recorded a warrant liability of \$1.5 million as of June 30, 2017 and reported a warrant derivative gain of \$0.4 million for the six months ended June 30, 2017 relating to the September 2012 and 2014 warrants.

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## GOLDEN MINERALS COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

In addition, for freestanding equity-classified financial instruments, ASU 2017-11 also requires entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Certain equity transactions following the issuance of the September 2012 and 2014 warrants have triggered anti-dilution clauses in the warrant agreements resulting in additional warrant shares and a reduction to the original strike price of the warrants. ASU 2017-11 prescribes a method to measure the value of a deemed dividend related to a triggering event by computing the difference in fair value between two instruments that have terms consistent with the actual instrument but that do not have a down round feature, where the number of warrant shares and strike price of one instrument corresponds to the actual instrument before the triggering event and the number of warrant shares and strike price of the other instrument corresponds to the actual instrument immediately after the triggering event. Following ASU 2017-11, for periods ending on or prior to December 31, 2016 the Company would have reduced its "Accumulated deficit" as reported on its Condensed Consolidated Balance Sheets by approximately \$0.3 million related to prior triggering events. During the nine month period ending September 30, 2017 the Company would have reduced its accumulated deficit by approximately \$5,000 related to triggering events.

Except for the down round features in the September 2012 and 2014 warrants, the warrants would have been classified in equity under the guidance in Subtopic 815-40 and therefore qualify for the scope exception in ASU 2017-11. As permitted, the Company elected to adopt the accounting principles prescribed by ASU 2017-11 for the interim period ended September 30, 2017 and has recorded a cumulative-effect adjustment stemming from a change in accounting principle in its financial statements for the year ended December 31, 2017 measured retrospectively to the beginning of 2017. The cumulative effect adjustment appears at the beginning of 2017 in the Company's Condensed Consolidated Statement of Changes in Equity. The results of operations for the Company for year ended December 31, 2017 reflects application of the change in accounting principle from the beginning of 2017.

The following table details the impact stemming from the cumulative effect of the change in accounting principle on the Company's Consolidated Balance Sheets as of the beginning of 2017.

	As Previously Reported	Cumulative Effect Adjustment	Reported after the Effect of a Change in Accounting Principle
Balance Sheet Accounts Impacted by			

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	December 31, 2016 (in thousands)	at the Beginning of 2017	at the Beginning of 2017
September 2012 and 2014 Warrants			
Warrant Liability - Related Party	\$ 976	\$ (976)	\$ —
Warrant Liability	922	(922)	—
Additional Paid-in Capital	495,455	19,046	514,501
Accumulated Deficit	(488,037)	(17,148)	(505,185)

As noted above, the Company had previously reported a warrant derivative gain of \$0.4 million during the six month period ending June 30, 2017. Because the Company has retroactively applied the change in accounting principle discussed above to the beginning of 2017, the Company is no longer reporting warrant derivative gains or losses for the September 2012 and 2014 warrants beginning in 2017. Amounts reported for periods ending on or prior to December 31, 2016 have not been adjusted.

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## GOLDEN MINERALS COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

## 4.Cash and Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Short-term investments include investments with maturities greater than three months, but not exceeding 12 months, or highly liquid investments with maturities greater than 12 months that the Company intends to liquidate during the next 12 months for working capital needs.

The following tables summarize the Company's short-term investments at December 31, 2017 and 2016:

December 31, 2017	Cost	Estimated Fair Value	Carrying Value
	(in thousands)		
Investments:			
Short-term:			
Available for sale common stock	\$ 275	\$ 238	\$ 238
Total available for sale	275	238	238
Total short term	\$ 275	\$ 238	\$ 238
 December 31, 2016			
Investments:			
Short-term:			
Available for sale common stock	\$ 275	\$ 334	\$ 334
Total available for sale	275	334	334
Total short term	\$ 275	\$ 334	\$ 334

## Credit Risk

The Company invests substantially all of its excess cash with high credit-quality financial institutions or in U.S. government or debt securities. Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. For cash and equivalents and investments, credit risk represents the carrying amount on the balance sheet. The Company mitigates credit risk for cash and equivalents and investments by placing

its funds and investments with high credit-quality financial institutions, limiting the amount of exposure to each of the financial institutions, monitoring the financial condition of the financial institutions and investing only in government and corporate securities rated “investment grade” or better. The Company invests with financial institutions that maintain a net worth of not less than \$1 billion and are members in good standing of the Securities Investor Protection Corporation.

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## GOLDEN MINERALS COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

## 5.Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31, 2017	December 31, 2016
	(in thousands)	
Prepaid insurance	\$ 362	\$ 296
Deferred offering costs	137	153
Recoupable deposits and other	246	129
	\$ 745	\$ 578

The deferred offering costs are related to the ATM Program discussed in detail in Note 15.

## 6.Inventories

Inventories at the Velardeña Properties were as follows:

	December 31, 2017	December 31, 2016
	(in thousands)	
Material and supplies	\$ 242	\$ 245
	\$ 242	\$ 245

The material and supplies inventory at December 31, 2017 and 2016 are related to the Velardeña Properties and are reduced by a \$0.2 million obsolescence reserve.

#### 7. Value added tax receivable

The Company has recorded value added tax (“VAT”) paid in Mexico and related to the Velardeña Properties as a recoverable asset. Mexico law allows for VAT payments to be recovered from VAT collected from the sale of products or rendering of services. At December 31, 2017, the Company has also recorded approximately \$19,000 of VAT receivable as a reduction to VAT payable in Mexico, which appears in “Accounts payable and other accrued liabilities” on the Condensed Consolidated Balance Sheets.

During 2017 the Company received refunds of approximately \$1.1 million from the government of Argentina for VAT payments made in that country during 2012 and 2013. Because of uncertainties relating to collectability of the taxes the Company had recorded a full valuation allowance against the VAT receivable at the time the taxes were paid. The Company reported the \$1.1 million of VAT refunds received during the year ended December 31, 2017 in “Other operating income” on the Condensed Consolidated Statements of Operations and Comprehensive Loss. In February 2018, we received an additional approximately \$138,000 of VAT refunds. At December 31, 2017, the Company reversed \$138,000 of the valuation allowance and recorded a VAT receivable of \$138,000 with a corresponding gain in “Other operating income” on the Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company has remaining Argentina VAT refund claims totaling approximately \$0.1 million. The Company cannot predict if or when it will receive these additional VAT refunds and accordingly has recorded a full valuation allowance against the remaining VAT refund claims.



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## GOLDEN MINERALS COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

The Company has also paid VAT in Mexico as well as other countries, primarily related to exploration projects, which has been charged to expense as incurred because of the uncertainty of recoverability.

## 8. Property, Plant and Equipment

## Property, plant and equipment, net

The components of property, plant, and equipment, net were as follows:

	December 31, 2017	December 31, 2016
	(in thousands)	
Mineral properties	\$ 9,352	\$ 9,352
Exploration properties	2,518	2,518
Royalty properties	200	200
Buildings	4,246	4,386
Mining equipment and machinery	15,989	16,351
Other furniture and equipment	958	952
Asset retirement cost	865	992
	34,128	34,751
Less: Accumulated depreciation and amortization	(25,988)	(25,516)
	\$ 8,140	\$ 9,235

In August 2016, the Company sold certain mining equipment consisting of two haul trucks, two scoop trams and a compressor to Minera Indé, an indirect subsidiary of The Sentient Group, for \$687,000 (see Note 23). The equipment sold was excess equipment held at the Company's Velardeña Properties that the Company did not expect to use. The

equipment had a net book value of \$27,000 resulting in a gain of \$660,000 in 2016. The gain is included in “Other operating income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss. The Company received \$69,000 or 10% of the sales price at the closing of the sale, with the remaining \$618,000 plus interest on the unpaid balance at an annual rate of 10% due in February 2017.

With the approval of a Special Committee of the Company’s Board of Directors, the Company and Minera Indé amended the original equipment sale on March 31, 2017 to include the sale of an additional piece of excess equipment for \$185,000 and extend the time for payment relating to the original equipment sale. Upon execution of the amendment the Company received an additional payment of \$100,000. The remaining principal and interest balance, plus additional interest on the unpaid balance at an annual rate of 10%, was amended to be due in August 2017. The Company recorded a gain of \$105,000 in 2017 on the sale of the additional equipment, included in “Other operating income, net” in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss, equal to the gross proceeds less the remaining basis in the equipment. On May 2, 2017, the Company received approximately \$750,000 from Minera Indé as payment in full for the remaining balance due related to the equipment sale, including interest through that date.

On August 2, 2016, the Company entered into a definitive agreement to sell its remaining 50% interest in the San Diego exploration property in Mexico to Golden Tag Resources Ltd (“Golden Tag”), the company that held the other 50% interest in the property. As a result of the sale, the Company received approximately \$379,000 in cash and 2,500,000 common shares of Golden Tag. Pursuant to the agreement, Golden Tag will be required to pay the Company a 2.0% net smelter return royalty in respect to the San Diego property. The Company had previously written down the value of the