

Golden Minerals Co  
Form 10-K  
February 28, 2019  
Table of Contents

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, 2018

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                                 | 26-4413382                           |
| (State of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| 350 Indiana Street, Suite 800            |                                      |
| Golden, Colorado                         | 80401                                |
| (Address of principal executive offices) | (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            | Name of each exchange on which registered |
| Common Stock, \$0.01 par value | NYSE American                             |

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                   |                       |                           |
|-------------------------|-------------------|-----------------------|---------------------------|
| Large accelerated filer | Accelerated filer | Non accelerated filer | Smaller reporting company |
| Emerging growth 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 13(a) of the Exchange Act.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2018 was approximately \$17.9 million, based on the closing price of the registrant's common stock of \$0.34 per share on the NYSE American on June 30, 2018. For the purpose of this calculation, the registrant has assumed that its affiliates as of June 30, 2018 included all directors and officers and one shareholder that held approximately 43% of its outstanding common stock. The number of shares of common stock outstanding on February 27, 2019 was 96,399,391.

### 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 2019 Annual Meeting of Stockholders are incorporated by reference in Part III of this annual report on Form 10-K.



Table of Contents

GOLDEN MINERALS COMPANY

FORM 10-K

YEAR ENDED DECEMBER 31, 2018

INDEX

|                                                                                                                               | PAGE |
|-------------------------------------------------------------------------------------------------------------------------------|------|
| PART I                                                                                                                        |      |
| <u>ITEM 1 AND</u>                                                                                                             |      |
| <u>ITEM 2</u> BUSINESS AND PROPERTIES                                                                                         | 8    |
| <u>ITEM 1A</u> RISK FACTORS                                                                                                   | 30   |
| <u>ITEM 1B</u> UNRESOLVED STAFF COMMENTS                                                                                      | 42   |
| <u>ITEM 3</u> LEGAL PROCEEDINGS                                                                                               | 43   |
| <u>ITEM 4</u> MINE SAFETY DISCLOSURES                                                                                         | 43   |
| PART II                                                                                                                       |      |
| <u>ITEM 5</u> MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER<br>MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES | 44   |
| <u>ITEM 6</u> SELECTED CONSOLIDATED FINANCIAL DATA                                                                            | 44   |
| <u>ITEM 7</u> MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND<br>RESULTS OF OPERATIONS                        | 45   |
| <u>ITEM 8</u> FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA                                                                     | 53   |
| <u>ITEM 9</u> CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING<br>AND FINANCIAL DISCLOSURE                         | 54   |
| <u>ITEM 9A</u> CONTROLS AND PROCEDURES                                                                                        | 54   |
| <u>ITEM 9B</u> OTHER INFORMATION                                                                                              | 54   |
| PART III                                                                                                                      |      |
| <u>ITEM 10</u> DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE                                                         | 55   |
| <u>ITEM 11</u> EXECUTIVE COMPENSATION                                                                                         | 55   |
| <u>ITEM 12</u> SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT<br>AND RELATED STOCKHOLDER MATTERS              | 55   |
| <u>ITEM 13</u> CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR<br>INDEPENDENCE                                   | 55   |
| <u>ITEM 14</u> PRINCIPAL ACCOUNTING FEES AND SERVICES                                                                         | 55   |
| PART IV                                                                                                                       |      |

|                   |                                                |    |
|-------------------|------------------------------------------------|----|
| <u>ITEM 15</u>    | <u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u> | 56 |
| <u>ITEM 16</u>    | <u>PREPARATION OF STATEMENT OR REPORT</u>      | 57 |
| <br>              |                                                |    |
| <u>EXHIBITS</u>   |                                                | 57 |
| <u>SIGNATURES</u> |                                                | 62 |

Table of Contents

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,” and other expressions (including negative and grammatical variations) to identify forward-looking statements. These statements include comments relating to our plans, expectations and assumptions concerning the Velardeña oxide plant lease, including the expected term, anticipated revenues, care and maintenance costs, and potential future tailings expansion; the El Quevar project, including assumptions and projections contained in the El Quevar PEA (including life of mine, grade and production expectations); the Santa Maria property, including the assumptions and projections contained in the Santa Maria PEA (including life of mine, grade 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 our general evaluation plans and cost expectations; the Yoquivo project, including future drilling plans and exploration activities; our financial outlook in 2019, including anticipated income and expenditures during the year; expected need for external financing 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 El Quevar in Argentina or the Velardeña Properties in Mexico;
- 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 low silver and gold prices or unfavorable exploration results;

Unfavorable results from exploration at the Santa Maria, Rodeo, Yoquivo, Navegantes 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;

Table of Contents

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

- 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 Argentina, Mexico 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.

Table of Contents

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 non-ferrous 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, usually 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, 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.

Table of Contents

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

“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 or volcanic rock of similar composition.

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

“Grade” means the metal content of ore, usually expressed in troy ounces per ton (2,000 pounds) or in grams per 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).

Table of Contents

“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.

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“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 specified ratio.

“Skarn” means a coarse-grained metamorphic rock formed by the 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 metallic element or elements.

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

## Table of Contents

“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.

“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.

## ITEMS 1 AND 2: BUSINESS AND PROPERTIES

### Overview

We are a mining company holding a 100% interest in the El Quevar advanced exploration silver property in the province of Salta, Argentina, 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”), 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 El Quevar advanced exploration property and the Velardeña Properties are our only material properties.

We remain focused on evaluation activities at our El Quevar exploration property in Argentina and on evaluating and searching for mining opportunities in North America with near term prospects of mining, including properties within reasonable haulage distances of our Velardeña processing plants. We are also focused and are continuing our exploration efforts on selected properties in our portfolio of approximately 12 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 any of our 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, 2018, 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. 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.

## Table of Contents

### 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”), resulting in our ownership of 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”.

### Corporate Structure

Golden Minerals Company, headquartered in Golden, Colorado, is the operating entity through which we conduct our business. We have a number of 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 North America and Argentina. We also review strategic opportunities from time to time.

**El Quevar Project.** We continue to advance our El Quevar project in Argentina and in September 2018 we completed an updated preliminary economic assessment (the “El Quevar PEA”). The El Quevar PEA contemplates a six-year underground mining operation using pre-existing and new underground development at a mine production rate of 1,200 tonnes per day using a post-pillar cut-and-fill mining method that will deliver approximately 2.45 million tonnes of diluted sulfide material at an average grade of 409 g/t silver. As contemplated in the PEA, the mined material would be processed using a conventional single product flotation mill that would produce a silver-rich bulk concentrate suitable for sale. We remain open to finding a partner to contribute to the funding of further exploration and development of the project.

**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 we are 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 we are able to locate, acquire and develop alternative mineral sources that could be economically mined and transported to the Velardeña Properties for processing. The Velardeña Properties include a 300 tonne per day flotation sulfide mill, which includes three flotation circuits in which we can process sulfide material to make lead, zinc and pyrite concentrates. The properties also include 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. In July 2015, we leased the oxide plant to Minera

Hecla, S.A. de C.V. (“Hecla”), a Mexican corporation and wholly-owned subsidiary of Hecla Mining Company, to process its own material through the plant. The lease with Hecla has since been extended through December 31, 2020. 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.

**Exploration Focus.** We are focused on evaluating and searching for mining opportunities in North America 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 12 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, and in October 2018 we completed a second preliminary economic assessment (the “Santa Maria PEA”) on the project. Our Rodeo

## Table of Contents

property west of the Velardeña Properties also remains an interesting asset and we have received confirmation of good gold and silver metallurgical recoveries for milled material in initial test work. Additionally, new discoveries of high-grade silver-gold assays at the claims in the Yoquivo District of Chihuahua, Mexico have led us to consider a drill program in 2019. During 2019 we plan to focus our exploration efforts primarily at our El Quevar silver project and on exploration and evaluation activities at Yoquivo, Navegantes and several new properties in Mexico recently acquired through staking. We expect our expenditures for the exploration program in 2019 to be approximately \$ 3.3 million, subject to the availability of sufficient funds.

**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.

## 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.

## Table of Contents

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.

Table of Contents

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 that 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 \$111,000 and \$57,000 in 2017 and 2018, respectively. In 2019 we expect to pay approximately \$60,000.

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

Table of Contents

| Name of Mine Concession | Concession<br>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                 | 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 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

## Table of Contents

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. In September 2018, we completed the El Quevar PEA, which confirmed the potential for a profitable mining operation at Yaxtché with an estimated 5 million ounces annual silver production. The El Quevar PEA contemplates a six-year underground mining operation using pre-existing and new underground development at a mine production rate of 1,200 tonnes per day using a post-pillar cut-and-fill mining method, delivering 2.45 million tonnes of diluted sulfide mineralized material at an average grade of 409 g/t silver. 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 \$1.3 million and \$0.8 million at our El Quevar project on holding and maintenance costs in 2018 and 2017, respectively. The additional spending in 2018 was primarily related to the costs of preparing the technical reports and preparing for exploration drilling. From the inception of our exploration activities in 2004 through December 31, 2018 we have spent approximately \$77.9 million on exploration and related activities at El Quevar, including amounts spent by our predecessor, Apex Silver Mines Limited. In 2019 we expect to spend

approximately \$1.3 million at our El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs.

We have evaluated 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 2019, subject to the availability of sufficient funds, we plan to drill about fifteen core holes for a total of 3,000 meters to test extensions of mineralized material at Yaxtché, offsets to existing promising drill intercepts, and new drill targets based on reinterpreted IP (induced polarization) geophysics.

## Table of Contents

### 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. The mill includes three flotation circuits in which we can process sulfide material to make lead, zinc and pyrite concentrates. 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. In July 2015, we leased the oxide plant to Hecla to process its own material through the plant. See “-Velardeña Properties Activities” below. The lease with Hecla has since been extended through December 31, 2020. 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 shutting down production at the Velardeña mines in 2015, 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, Hecla is required to either leave unused at the end of the lease term an agreed amount of capacity in the tailings facility, or construct an additional expansion at its cost.

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.



## Table of Contents

The following map shows the location of the Velardeña Properties (other than the El Mogote Fraccion concession, which is located south 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

Table of Contents

pay annual concession holding fees to the Mexican government to maintain our rights to the Velardeña mining concessions. In 2018, we made such payments totaling approximately \$78,000 and expect to pay approximately \$80,000 in 2019. 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 \$35,000. 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.

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

Table of Contents

| Mine/Area | Name of Exploitation<br>Concession | Concession<br>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 2018 we made such payments totaling approximately \$25,000 and expect to pay approximately the same amount in 2019. We are required to pay a fine to the CNA 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. During 2018 we did not incur any over usage or under usage fines.



## Table of Contents

### 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, vein trends are steeply northeast dipping and northwest trending. 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.

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.

Table of Contents

## 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<br>(in<br>thousands) | Silver<br>(Ag)<br>Grade<br>(Grams<br>per<br>tonne) | Gold<br>(Au)<br>Grade<br>(Grams<br>per<br>tonne) | Lead<br>(Pb)<br>Grade<br>% | Zinc (Zn)<br>Grade % |
|-------------------------------------------------|-----------------------------|----------------------------------------------------|--------------------------------------------------|----------------------------|----------------------|
| Mineralized Material                            |                             |                                                    |                                                  |                            |                      |
| Mineralized Material at December 31, 2016       |                             |                                                    |                                                  |                            |                      |
| 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, 2016 | 1,793                       | 272                                                | 3.8                                              | 1.42                       | 1.49                 |

Note: Results may not tie precisely due to rounding.

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<br>Metallurgical<br>Recovery | Oxide<br>Metallurgical<br>Recovery | Mixed<br>Metallurgical<br>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.

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

Table of Contents

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, 2017 or 2018.

| Tonnes<br>(in thousands) | Gold<br>(Au)<br>Grade<br>(Grams<br>per tonne) | Contained<br>Gold (Au)<br>oz. | Silver<br>(Ag)<br>Grade<br>(Grams<br>per tonne) | Contained<br>Silver (Ag)<br>oz.<br>(in thousands) | Lead<br>(Pb)<br>Grade<br>% | Contained<br>Lead (Pb)<br>lbs.<br>(in thousands) | Zinc<br>(Zn)<br>Grade % | Contained<br>Zinc (Zn)<br>lbs.<br>(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                                           |
| —                        | —                                             | —                             | —                                               | —                                                 | —                          | —                                                | —                       | —                                                |
| 76                       | 2.6                                           | 6,371                         | 156                                             | 383                                               | 0.8                        | 1,343                                            | 1.09                    | 1,839                                            |

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|    |       |     |         |     |        |      |        |      |        |
|----|-------|-----|---------|-----|--------|------|--------|------|--------|
|    | —     | —   | —       | —   | —      | —    | —      | —    | —      |
|    | 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  |
| cs |       |     |         |     |        |      |        |      |        |
| 8  |       |     |         |     |        |      |        |      |        |
|    | —     | —   | —       | —   | —      | —    | —      | —    | —      |
|    | —     | —   | (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  |
| ed |       |     |         |     |        |      |        |      |        |
| t  |       |     |         |     |        |      |        |      |        |
|    | 1,712 | 3.8 | 210,522 | 272 | 14,956 | 1.43 | 53,940 | 1.49 | 56,187 |

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.

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

## Table of Contents

### Velardeña Properties Activities

In 2018 we incurred approximately \$1.9 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 entered into a leasing agreement with Hecla 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 has since been 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 oxide plant lease for an additional period of up to two years ending no later than December 31, 2020 (the "Extension Period"). In October 2018, Hecla exercised its option and extended the lease to December 31, 2020. 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 has 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 its own purposes before December 31, 2020.

Hecla is responsible for ongoing operation and maintenance of the oxide plant. During the year ended December 31, 2018, Hecla processed approximately 142,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$7.2 million, comprised of approximately \$4.9 million for direct plant charges and fixed fees and approximately \$2.3 million for other net reimbursable costs related to the services we provide under the lease. The \$2.3 million of reimbursable costs are also reported as plant lease costs, resulting in net operating margin of approximately \$4.9 million for the year ended December 31, 2018. We expect Hecla to continue to process material near the intended approximately 400 tonnes per day rate during 2019, which would generate cash payments to us, net of reimbursable costs, of approximately \$4.6 million during 2019. However, because Hecla has the right to terminate the lease on 120 days' notice, there is no assurance that these amounts will be received.

### Mining and Processing

Aside from some minor test mining and crushing activities, there were no mining or processing activities, other than the Hecla lease, at our Velardeña Properties in 2017 or 2018 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.

#### 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

## Table of Contents

infrastructure beyond the current plant facilities also would require additional permitting, which could include environmental impact assessments and land use permits.

### 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.

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

## Table of Contents

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 policy 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.

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

## Table of Contents

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. This creditable VAT may also be directly refunded, but under new regulations beginning in January 2019, the creditable VAT can no longer offset other Mexican 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.

## Exploration Properties

In addition to El Quevar, we currently control a portfolio of approximately 12 exploration properties located primarily in certain traditional precious metals producing regions of Mexico. We do not consider any of our exploration properties to be individually material, including those noted below.

In 2019 we plan to focus our exploration efforts primarily on exploration and evaluation activities at El Quevar, Yoquivo, Navegantes and other properties, primarily in North America. During 2019 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 Hidalgo de Parral, Chihuahua State, Mexico. Since 2015, we have completed test mining and processing of approximately 7,100 dry tonnes from the Santa Maria mine, with average grades of 338 gpt silver and 0.8 gpt gold. In March 2017, a preliminary economic assessment (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. In September 2018, Tetra Tech completed a second PEA for the Santa Maria project that incorporates data accumulated since March 2017, including an additional 77 hectares of mineral tenure acquired in August 2017 that covers the on-strike and downdip extensions of the Santa Maria vein systems. The new PEA also incorporates information from a 22-hole, 4,800-meter drilling

program begun in August 2017 and completed in April 2018. Including the latest drill program, we have drilled 9,900 meters in 59 holes since acquiring the property. Surface mapping and sampling has also identified additional high-grade veins on the adjacent eastern extension of the Santa Maria property and new veins to the north located outside of the mineralized material area as defined in the March 2017 PEA.

The September 2018 PEA shows improvement in projected cash flow, metal production and profitability compared to the previous study. The PEA estimates a 4.2-year underground mining operation using pre-existing and new underground development at an average mine production rate of 218 tonnes per day, using a combination of cut-and-fill and sublevel stoping. It is currently envisioned that both mixed and sulfide materials will undergo toll-milling at a local third-party facility with sulfide flotation circuits. Oxide material will be cyanide leached at the same toll-milling facility. In the PEA, Santa Maria is estimated to deliver 150,000 tonnes of diluted sulfide material to the mill at an average grade of 378 g/t silver equivalent (“AgEq”, calculated by combining Ag and Au values where one g/t of Au equals 74 g/t of Ag),

## Table of Contents

116,000 tonnes of diluted oxide material at an average grade of 428 g/t AgEq and 42,000 tonnes of diluted mixed material at an average grade of 278 g/t tonne AgEq.

We have the right to acquire 100% of the Santa Maria property under two separate option agreements representing the total concessions that comprise the property for additional payments of \$1.0 million, payable through April 2022. The first option agreement, covering concessions we acquired in August 2014, requires an additional approximately \$0.4 million be paid to acquire a 100% interest in the concessions related to that option by continuing to make minimum payments of \$0.2 million in 2019 and, \$0.2 million in 2020. 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 acquired in August 2017, requires an additional \$0.6 million be paid to acquire a 100% interest in the concessions related to that option by making additional payments of \$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. 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 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 early 2020.

### Yoquivo

In October 2017 we acquired the right to purchase claims covering the Yoquivo District, Ocampo Municipality, Chihuahua, Mexico 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.

## Table of Contents

In October 2018 we announced high-grade silver-gold assays from the Yoquivo project. Multiple silver-gold bearing epithermal veins were mapped and sampled, with the two most important veins being the San Francisco and Pertenencia veins. A new vein, the La Nina vein, was discovered in the northwest of the property where it splits off from the main San Francisco vein. We are focusing exploration efforts on the Pertenencia vein, which appears to be more silver-rich compared to the San Francisco vein. Sampling of the Pertenencia vein is still in progress as is surface work in preparation for identifying the best drill targets. We expect to begin a drill program in 2019 to test the most promising portions of the veins. A permit for drilling has been obtained.

## Navegantes

In November 2018, we acquired the Navegantes project in southern Chihuahua state, Mexico. Recent surface and underground sampling have returned high-grade silver values from a series of epithermal silver-base metal veins outcropping on the property. The project consists of six concessions totaling 521 hectares and is located approximately 60km northwest of the San Francisco del Oro-Santa Barbara District where our Santa Maria project is located.

## 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:

- Celaya. In 2018 we sold our remaining interests in the Celaya exploration property in Mexico to a subsidiary of Electrum Group LLC in exchange for payments totaling \$4.0 million.
- Zacatecas. In April 2016, we entered into an option agreement, which was later amended in February 2018, under which Santacruz Silver Mining Ltd. ("Santacruz") has acquired our interest in the Zacatecas Properties for a series of payments totaling approximately \$1.5 million. Payments of \$249,000, \$225,000 and \$212,000 were paid to us during the first, second and third quarters of 2018, respectively. The final payment of \$13,000 was received by us in October 2018.
- 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.

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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   | 64  | President and Chief Executive Officer             |
| Robert P. Vogels | 61  | 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

Table of Contents

2007 until February 2012, Mr. Rehn held various positions at Barrick Gold Exploration, Inc., serving most recently as 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 (2) | 69  | Chairman                                                |
| Warren M. Rehn           | 64  | President and Chief Executive Officer, Company          |
| W. Durand Eppler (1),(3) | 65  | Managing Director, Capstone Headwaters MB               |
| Kevin R. Morano (2),(3)  | 65  | Managing Principal, KEM Capital LLC                     |
| Terry M. Palmer (1),(3)  | 74  | Retired Certified Public Accountant                     |
| Andrew N. Pullar         | 46  | Managing Partner and Director, Sentient Equity Partners |
| David H. Watkins (1),(2) | 74  | 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 advanced exploration silver 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 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.

Table of Contents

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 26, 2019, the closing price of silver was \$15.83 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 | \$ 14.13 |
| 2019* | \$ 16.08 | \$ 15.26 |

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\*Through February 26, 2019.

## 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 26, 2019, the closing price of gold was \$1,325 per troy ounce.

| Year | Gold     |          |
|------|----------|----------|
|      | High     | Low      |
| 2011 | \$ 1,895 | \$ 1,319 |
| 2012 | \$ 1,792 | \$ 1,540 |

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|       |          |          |
|-------|----------|----------|
| 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 | \$ 1,178 |
| 2019* | \$ 1,344 | \$ 1,280 |

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\* Through February 26, 2019.

## Table of Contents

### Employees

We currently have 178 employees, including seven in Golden, approximately 164 in Torreón, Mexico or at the Velardeña Properties (including approximately 90 assigned to the oxide plant which is leased to a third party), six in Argentina in connection with the El Quevar project, and one in Peru.

### 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 2019; 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 will 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

## Table of Contents

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 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 will require additional external financing to fund our continuing business activities in the future.

As of December 31, 2018 we had approximately \$3.3 million in cash and cash equivalents. With anticipated costs during 2019, 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 of \$4.6 million, we expect our current cash and cash equivalent balance will be approximately zero by the end of 2019, unless we are successful in raising additional capital or selling certain exploration assets. Even with these anticipated revenues throughout 2019, our cash balance in 2019 will 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.

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.

Although we may be able to access public equity markets, including through issuances under our At-the-Market program we entered into in December 2016 (the “ATM Program”) or the committed equity program with Lincoln Park Capital that we entered into in May 2018 (the “LPC Program”), significant issuances under those programs may be heavily dilutive to existing shareholders.

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 current lease term through December 31, 2020. Hecla is responsible for ongoing operation and maintenance of the oxide plant and during the year ended December 31, 2018, Hecla's mining and processing activities resulted in a net margin of \$4.9 million for us. The lease may terminate sooner than the end of 2020 if Hecla experiences mining problems or delays at its nearby mine, if there are disputes between Hecla and us, or for other reasons. Hecla has the right to terminate the lease on 120 days' notice. 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.



## Table of Contents

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.

One of our stockholders, Sentient, owns approximately 44% of the Company's outstanding common stock. With this level of ownership, Sentient could exert significant control over us, 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 us to enter into a change of control transaction that may otherwise be beneficial for our 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 is the case at our Velardeña Properties, mine employees in Mexico are typically represented by a union, and our relationship with our employees is, 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 Veolardeña 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.



## Table of Contents

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 recent years have had a significant impact on our mining activities, resulting in a shutdown of mining at our Velardeña Properties in 2015, 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 El Quevar project, the Velardeña Properties, 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 the El Quevar project, our Velardeña Properties, 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.

## Table of Contents

During 2012, we released an estimate of mineralized material at our El Quevar project and in 2018 Wood Group completed an analysis and re-modeling of the data utilized in the prior mineralized material estimate. Tetra Tech completed technical reports on our Velardeña Properties and our Santa Maria and Rodeo properties, which indicated the presence of mineralized material. 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 El Quevar project, the Velardeña Properties, the Santa Maria and Rodeo properties, 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

## Table of Contents

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,

## Table of Contents

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

## Table of Contents

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 using water from the three wells associated with the oxide plant and from two of the three wells associated with the sulfide 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.



## Table of Contents

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 projects 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 4.8% in 2018, 6.0 % in 2017 and 2.8% in 2016. 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 decreased by 4.7% in 2018, increased by 5.0% in 2017, and decreased by 19%

in 2016. In addition, fluctuations

38

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## Table of Contents

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

39

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## Table of Contents

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;

## Table of Contents

- 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 2017 and 2018, our annual canon fees payable to the Argentine government was \$113,000 and \$57,000 respectively, and we expect to pay approximately \$60,000 in 2019.

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



## Table of Contents

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 our common stock in separate transactions, including pursuant to the Hecla Share Issuance (as defined herein), our ATM Program, the May 2016 financing, the conversion of the Sentient Senior Secured Convertible Note (the "Sentient Note") and the May 2018 issuances under the LPC Program. 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 5,517,696 shares (771,696 share increase) and the exercise price was reduced from the original \$1.21 per share to \$0.85 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. 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.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

42

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Table of Contents

ITEM 3: LEGAL PROCEEDINGS

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

43

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Table of Contents

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. Our common stock is also listed on the Toronto Stock Exchange, also referred to as the “TSX”, and trades under the symbol “AUMN”.

As of February 27, 2019, we had 185 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,              |            |             |             |             |
|---------------------------|------------------------------------------|------------|-------------|-------------|-------------|
|                           | 2018                                     | 2017       | 2016        | 2015        | 2014        |
|                           | (in thousands, except per share amounts) |            |             |             |             |
| Statement of Operations:  |                                          |            |             |             |             |
| Revenue                   | \$ 7,217                                 | \$ 6,691   | \$ 6,400    | \$ 8,071    | \$ 235      |
| Net Loss(1)               | \$ (1,945)                               | \$ (3,892) | \$ (10,659) | \$ (25,383) | \$ (18,823) |
| Net Loss per common share | \$ (0.02)                                | \$ (0.04)  | \$ (0.13)   | \$ (0.48)   | \$ (0.41)   |

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|                                          | At December 31, |           |           |           |           |
|------------------------------------------|-----------------|-----------|-----------|-----------|-----------|
|                                          | 2018            | 2017      | 2016      | 2015      | 2014      |
| Balance Sheet Data:                      |                 |           |           |           |           |
| Total assets                             | \$ 12,644       | \$ 13,077 | \$ 14,008 | \$ 17,001 | \$ 41,258 |
| Long term liabilities                    | \$ 3,000        | \$ 3,138  | \$ 4,398  | \$ 2,840  | \$ 4,334  |
| Dividends:                               |                 |           |           |           |           |
| Cash dividends declared per common share | \$ —            | \$ —      | \$ —      | \$ —      | \$ —      |

- 
- (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 any of the other years presented.

## Table of Contents

### 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, 2018, 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, 2018 and 2017.

We remain focused on evaluation activities at our El Quevar exploration property in Argentina and on evaluating and searching for mining opportunities in North America with near term prospects of mining, including properties within reasonable haulage distances of our Velardeña processing plants. We are also focused and are continuing our exploration efforts on selected properties in our portfolio of approximately 12 exploration properties located primarily in Mexico.

#### 2018 Highlights

#### El Quevar

In 2017, Amec Foster Wheeler E&C Services, Inc., a Wood Group PLC company ("Wood") undertook an analysis and re-modeling of data utilized in a 2012 mineralized material estimate for our El Quevar project, located in the Salta Province of Argentina, which was based on results from 270 core drill holes and 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 Wood estimate, which the Company announced in February 2018, used updated geologic controls and a modeling method that optimized silver grade assuming mining would occur solely underground. According to the Wood estimate, sulfide mineralized material in the Yaxtché deposit, at a cut-off grade of 250 grams per tonne ("g/t") 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 g/t.

In September 2018, we completed a preliminary economic assessment (“PEA”) that used the revised estimate of mineralized material for the Yaxtché deposit as a basis. The PEA contemplates a six-year underground mining operation using pre-existing and new underground development at a mine production rate of 1,200 tonnes per day using a post-pillar cut-and-fill mining method that will deliver 2.45 million tonnes of diluted sulfide material at an average grade of 409 g/t silver. As contemplated in the PEA, the mined material would be processed using a conventional single product flotation mill that would produce a silver-rich bulk concentrate suitable for sale.

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. In the first quarter 2019, we plan to initiate a 3,000 meter, approximately \$0.6 million drilling program to further define the potential for additional mineralized material in the Yaxtché deposit and surrounding area. 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.

## Table of Contents

### Velardeña Oxide Plant Lease Agreement

On October 1, 2018, a wholly-owned subsidiary of Hecla Mining Company (together “Hecla”) exercised its option, pursuant to an agreement entered into with us in August 2017, to extend the lease of our Velardeña oxide plant until December 31, 2020. Hecla has the right to terminate the lease 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, 2018, Hecla processed approximately 142,000 tonnes of material through the oxide plant, resulting in total revenues to us of approximately \$7.2 million, comprised of approximately \$4.9 million for direct plant charges and fixed fees and approximately \$2.3 million for other net reimbursable costs related to the services we provide under the lease. The \$2.3 million of reimbursable costs are also reported as plant lease costs, resulting in net operating margin of approximately \$4.9 million for the year ended December 31, 2018. We expect Hecla to continue to process material near the intended approximately 400 tonnes per day rate during 2019, which would generate a net operating margin to us, net of reimbursable costs, of approximately \$4.6 million during the full year 2019. However, because Hecla has the right to terminate the lease with 120 days’ notice, there is no assurance that these amounts will continue through 2019 or beyond.

### Celaya Farm-out

In September 2018, our wholly owned Mexican subsidiary entered into a second and final amendment to an earn-in agreement with a 100% owned Mexican subsidiary of Electrum Group LLC, a privately owned company (together “Electrum”), related to the farm-out of our Celaya exploration property in Mexico. Pursuant to the second amendment, Electrum acquired 100% of our remaining interest in the Celaya project in exchange for a payment of \$3.0 million, as set out in a definitive Assignment of Rights Agreement (the “Assignment Agreement”) containing customary terms and conditions. The earn-in agreement was terminated upon entry into the Assignment Agreement.

The Celaya earn-in agreement with Electrum commenced in August 2016 when 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 initially earned the right to acquire an undivided 60% interest in a joint venture company to be formed to hold the Celaya project by incurring exploration expenditures totaling at least \$2.5 million during the initial first three years of the agreement. Electrum would serve as manager of the joint venture. Prior to the subsequent amendments to the agreement, we would have been allowed to maintain a 40% interest in the Celaya project, following the initial 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 incremental 20% interest in the Celaya project in exchange for a payment of \$1.0 million. Following the amendment, Electrum could have increased 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, and prior to entering into the Assignment Agreement, we could have maintained our 20% participating interest or our interest could ultimately have been converted into a carried 10% net profits interest if we elected not to participate as a joint venture owner.

We have previously expensed all of our costs associated with the Celaya property and accordingly recognized a gain of \$1.0 million from the execution of the first amendment to the agreement and \$3.0 million upon execution of the Assignment Agreement, for the nine month period ended September 30, 2018, included in “Other operating income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss.

## Table of Contents

### Santa Maria

Since 2015, we have completed test mining and processing of 7,100 dry tonnes from the Santa Maria mine west of Hidalgo de Parral, Chihuahua, with average grades 338 g/t silver and 0.8 g/t 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. In September 2018, Tetra Tech completed a second PEA for the Santa Maria project that incorporates data accumulated since March 2017, including an additional 77 hectares of mineral tenure acquired in August 2017 that covers the on-strike and downdip extensions of the Santa Maria vein systems. The new PEA also incorporates information from a 22-hole, 4,800-meter drilling program begun in August 2017 and completed in April 2018. Including the latest drill program, we have drilled 9,900 meters in 59 holes since acquiring the property. Surface mapping and sampling has also identified additional high-grade veins on the adjacent eastern extension of the Santa Maria property and on new veins to the north located outside of the mineralized material area as defined in the March 2017 PEA.

The September 2018 PEA shows improvement in projected cash flow, metal production and profitability compared to the previous study. The PEA estimates a 4.2-year underground mining operation using pre-existing and new underground development at an average mine production rate of 218 tonnes per day, using a combination of cut-and-fill and sublevel stoping. It is currently envisioned that both mixed and sulfide materials will undergo toll-milling at a local third-party facility with sulfide flotation circuits. Oxide material will be cyanide leached at the same toll-milling facility. In the PEA, Santa Maria is estimated to deliver 150k tonnes of diluted sulfide material to the mill at an average grade of 378 g/t silver equivalent ("AgEq", calculated by combining Ag and Au values where one g/t of Au equals 74 g/t of Ag), 116k tonnes of diluted oxide material at an average grade of 428 g/t AgEq and 42k tonnes of diluted mixed material at an average grade of 278 g/t AgEq.

We have the right to acquire 100% of the Santa Maria property under two separate option agreements representing the total concessions that comprise the property for additional payments of \$1.0 million, payable through April 2022. The first option agreement covers concessions we acquired in August 2014 and requires an additional approximately \$0.4 million be paid by continuing to make minimum payments of \$0.2 million in 2019 and \$0.2 million in 2020. 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 covers concessions recently acquired in August 2017 and requires an additional approximately \$0.6 million be paid by making additional payments of \$0.2 million in each of the years 2019 through 2021.

### Zacatecas

In April 2016, we entered into an option agreement, which was later amended in February 2018, under which Santacruz Silver Mining Ltd. (“Santacruz”) has acquired our interest in the Zacatecas Properties for a series of payments totaling approximately \$1.5 million. Payments of \$249,000, \$225,000 and \$212,000 were paid to us during the first, second and third quarters of 2018, respectively. The final payment of \$13,000 was received by us in October 2018.

We had previously expensed all of the costs associated with the Zacatecas Properties. We recognized income, equal to the cash payments made, evenly over the period covered by each payment. We have recognized approximately \$748,000 of income under the agreement for the year ended December 31, 2018, included in “Other operating income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss. At December 31, 2018, there were no further performance obligations and we had taken all steps necessary for Santacruz to take title to the properties.

#### Other Exploration - Yoquivo

The Yoquivo property was acquired in 2017 and consists of 1,907 hectares in 6 claims that cover an epithermal vein district hosted in Tertiary andesitic volcanic rocks that is exposed in an erosional window through Oligocene rhyolite

## Table of Contents

on the eastern margin of the Sierra Madre Occidental of northern Mexico. The property is 200 km SW of Chihuahua city in the state of Chihuahua, Mexico. Recent surface rock sampling has demonstrated gold and silver values of potential economic interest in several of the veins in the district. We have an option to purchase the six concessions that comprise the Yoquivo property for payments totaling \$0.5 million over four years subject to a 2% NSR royalty on production, capped at \$2 million.

In October 2018 we announced high-grade silver-gold assays from the Yoquivo project. Multiple silver-gold bearing epithermal veins were mapped and sampled, with the two most important veins being the San Francisco and Pertenencia veins. A new vein, the La Nina vein, was discovered in the northwest of the property where it splits off from the main San Francisco vein. We are focusing exploration efforts on the Pertenencia vein, which appears to be more silver-rich compared to the San Francisco vein. Sampling of the Pertenencia vein is still in progress as is surface work in preparation for identifying the best drill targets. We expect to begin a drill program in 2019 to test the most promising portions of the veins. A permit for drilling has been obtained.

Registered direct purchase agreement and commitment purchase agreement and registration rights agreement

On May 9, 2018 we entered into a registered direct purchase agreement (the “Registered Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“LPC”) pursuant to which LPC purchased 3,153,808 shares of our common stock at a price of \$0.4122 per share, the closing price of our common stock on the NYSE American on May 8, 2018, for an aggregate purchase price of \$1.3 million. On the same day, we also entered into a commitment purchase agreement (the “Commitment Purchase Agreement” and together with the Registered Purchase Agreement, the “LPC Program”) pursuant to which we have the right for a period of three years, at our sole discretion, to sell up to an additional \$10.0 million of our common stock to LPC, subject to certain limitations and conditions contained in the Commitment Purchase Agreement.

Subject to the terms of the Commitment Purchase Agreement, we will control the timing and amount of any future sale of common stock to LPC. LPC has no right to require any sales by us under the Commitment Purchase Agreement but is obligated to make purchases at our sole direction, as governed by such agreement. There are no upper limits to the price LPC may be obligated to pay to purchase common stock from us and the purchase price of the shares will be based on the prevailing market prices of our shares at the time of each sale to LPC. LPC has agreed not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of our shares of common stock. We have the right to terminate the Commitment Purchase Agreement at any time, at our discretion, without any cost or penalty.

As of December 31, 2018, no additional common stock had been sold to LPC under the LPC Program following the initial sale of common stock pursuant to the Registered Purchase Agreement. Subsequent to December 31, 2018 we sold an aggregate of approximately 745,000 common shares under the Commitment Purchase Agreement at an average price of \$0.31 per common share for total proceeds of approximately \$230,000 during the year to date period ended February 27, 2019.

## Results of Operations

For the results of operations discussed below, we compare the results of operations for the year ended December 31, 2018 to the results of operations for the year ended December 31, 2017.

Revenue from oxide plant lease. We recorded revenue of \$7.2 million and \$6.7 million for the years ended December 31, 2018 and 2017 respectively from the lease of our Velardeña oxide plant to Hecla.

Oxide plant lease costs. During the years ended December 31, 2018 and 2017 we recorded \$2.3 and \$2.2 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.

## Table of Contents

**Exploration Expense.** Our exploration expense, including work at the Santa Maria and other properties, property holding costs and allocated administrative expenses, totaled \$3.9 million for the year ended December 31, 2018. Our exploration expense, including work at the Santa Maria, Mogotes and other properties, totaled \$3.1 million for the year ended December 31, 2017. 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. Exploration expenses were higher in the year ended December 31, 2018 compared to the prior period due to increased exploration activities at our Santa Maria and other Mexico properties.

**Velardeña shutdown and care and maintenance costs.** We recorded \$1.9 million and \$1.6 million for the years ended December 31, 2018 and 2017, 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 higher care and maintenance costs in 2018 are related to increased maintenance.

**El Quevar Project Expense.** During the year ended December 31, 2018 we incurred \$1.3 million primarily related to holding and evaluation costs for the Yaxtché deposit at our El Quevar project in Argentina. During the year ended December 31, 2017 we recorded an expense of approximately \$0.8 million primarily related to holding costs for the Yaxtché deposit at our El Quevar project in Argentina. The additional spending in 2018 was primarily related to the costs of preparing the technical reports and preparing for exploration drilling. For both years, additional nominal costs incurred in Argentina and not related to the El Quevar project are included in “Exploration Expense”, discussed above.

**Administrative Expense.** Administrative expenses totaled \$3.4 million for the year ended December 31, 2018 compared to \$3.5 million for the year ended December 31, 2017. 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 \$3.4 million of administrative expenses we incurred during 2018 is comprised of \$1.6 million of employee compensation and directors’ fees, \$0.9 million of professional fees and \$0.9 million of insurance, travel expenses, rents, utilities and other office costs. 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.

**Stock based compensation.** During the year ended December 31, 2018 we incurred expense related to stock-based compensation in the amount of \$0.2 million compared to \$0.3 million for the year ended December 31, 2017. 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 2018 and 2017 stock-based compensation amounts include a \$0.1 million reduction of expense and \$0.1 million of expense, respectively, related to KELTIP grants made to two officers and the related fair value adjustments to the KELTIP liability (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, 2018 and 2017 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 \$5.1 million of other operating income for the year ended December 31, 2018, consisting of \$4.0 million related to an option payment and the ultimate sale of our Celaya property, \$0.7 million from payments received on our Zacatecas Properties and \$0.4 million related to the sale of two non-strategic Mexican subsidiaries. We recorded other operating income of \$2.1 million for the year ended December 31, 2017, including \$1.0 million of net gains recorded on the sales of certain fixed assets and non-strategic exploration properties in Mexico and a \$1.1 million VAT tax refund in Argentina.

**Depreciation, depletion and amortization.** During the year ended December 31, 2018 we incurred depreciation, depletion and amortization expense of \$1.2 million compared to \$1.0 million for the year ended December 31, 2017. The increase in depreciation, depletion and amortization expense during the 2018 period is primarily the result of increased depreciation at our Velardeña Properties.

Table of Contents

Interest and Other Income, net. During the year ended December 31, 2018 we recorded approximately \$0.1 million of interest and other income primarily related to mark-to-market gains on short-term investments. During the year ended December 31, 2017 we recorded only a nominal amount of interest and other income.

Gain (Loss) on Foreign Currency. We recorded a \$0.1 million foreign currency loss in each of the years ended December 31, 2018 and 2017. 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 no tax expense or benefit for the year ended December 31, 2018. We recorded \$13,000 of income tax expense for the year ended December 31, 2017 related to a Mexican subsidiary.

Liquidity and Capital Resources

At December 31, 2018, our aggregate cash and cash equivalents totaled \$3.3 million, equal to the \$3.3 million in similar assets held at December 31, 2017. The December 31, 2018 balance is due in part from the following expenditures and cash inflows for the year ended December 31, 2018. Expenditures totaled \$10.8 million from the following:

- \$3.9 million in exploration expenditures, including work at the Santa Maria and other properties;
- \$1.9 million in care and maintenance costs at the Velardeña Properties;
- \$1.3 million in evaluation activities, care and maintenance and property holding costs at the El Quevar project;
- \$3.4 million in general and administrative expenses; and
- \$0.3 million related to an increase in working capital primarily related to the reduction of \$0.3 million in deferred income related to the oxide plant lease.

The foregoing expenditures were offset by cash inflows of \$10.8 million from the following:

- \$4.9 million of net operating margin received pursuant to the oxide plant lease (defined as oxide plant lease revenue less oxide plant lease costs);
- \$0.8 million, net of commitment fees and other offering related costs, from the LPC Program;
- \$4.0 million from the sale of our interests in the Celaya property to Electrum;
- \$0.7 million from the farm out of certain nonstrategic mineral claims to Santacruz; and
- \$0.4 million from the sale of two inactive subsidiaries in Mexico.

In addition to the \$3.3 million cash balance at December 31, 2018, we expect to receive approximately \$4.6 million in net operating margin from the lease of the oxide plant during the next twelve-month period ending December 31, 2019. In addition, subsequent to December 31, 2018 we received approximately \$0.2 million from the sale of our common stock

Table of Contents

under the LPC Program. Our currently budgeted expenditures during the twelve months ending December 31, 2019 are as follows:

- 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 Yoquivo and other properties;
- Approximately \$1.5 million at the Velardeña Properties for care and maintenance;
- Approximately \$1.2 million at the El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs; and
- Approximately \$3.1 million on general and administrative costs.

If we spend the amounts described above, we would end 2019 with a cash balance of approximately zero. However, we do not intend to allow our cash balance to drop below acceptable levels. Therefore, during 2019 we intend to take appropriate actions, which may include sales of certain of our nonstrategic exploration assets, reductions to our currently budgeted level of spending, and/or raising additional equity capital through sales under the ATM Program, LPC Program or otherwise.

The actual amount of cash that we receive or the expenditures that we incur during the year ended 2019 and the projected cash balance at December 31, 2019 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 El Quevar. Moreover, revenues from the oxide plant lease may be less than anticipated, which would require further actions on our part in order to maintain sufficient cash balances at year end.

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, use of the ATM Program and LPC Program, and the potential for additional 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, 2018.

### 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.

## Table of Contents

### 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 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 Obligation

The following table summarizes our contractual obligations at December 31, 2018:

| Contractual Obligations                        | Total                | Less Than<br>1 Year | 1 - 3<br>Years | 3 - 5<br>Years | More<br>Than<br>5 Years |     |
|------------------------------------------------|----------------------|---------------------|----------------|----------------|-------------------------|-----|
|                                                | (in thousands of \$) |                     |                |                |                         |     |
| Operating leases(1)                            | 1,024                | 224                 | 317            | 329            | 154                     |     |
| El Quevar and Velardeña concession payments(2) | 700                  | 140                 | 280            | 280            | —                       | (3) |

(1) The operating lease obligations are related to our corporate headquarters office in Golden, Colorado, which expires November 30, 2024, as well as another office lease associated with our Velardeña Properties.

(2) In 2019 and subsequent years, we expect to make annual maintenance payments of approximately \$80,000 to the Mexico federal government to maintain the Velardeña Properties concessions and \$35,000 to maintain related surface rights under a contract with the local community ejido. In 2019 and subsequent years, we expect to pay approximately \$60,000 per year to the Argentina federal government in order to maintain our El Quevar concessions.

Table of Contents

- (3) We cannot currently estimate the life of the Velardeña Properties or the El Quevar project. This table assumes that no annual maintenance payments will be made more than five years after December 31, 2018. If we continue to hold the Velardeña Properties concessions beyond five years, we expect that we would make annual maintenance payments of approximately \$80,000 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 \$60,000 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, 2018, 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.

Table of Contents

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, 2018.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2018, 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, 2018. 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, 2018, 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, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### ITEM 9B: OTHER INFORMATION

None.

Table of Contents

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 2019 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 2019 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 2019 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 2019 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 2019 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.

Table of Contents

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.

Table of Contents

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 10, 2014 (Public Offering). (11)</u>                                                                        |
| 4.3            | <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> |
| 4.4            | <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           | <u>Amendment No. 1 to Change of Control Agreement.(5)</u>                                                                                                                                                                          |
| 10.4           | <u>Golden Minerals Company Amended and Restated 2009 Equity Incentive Plan.(6)</u>                                                                                                                                                 |
| 10.5           | <u>Form of Restricted Stock Award Agreement Pursuant to the 2009 Equity Incentive Plan.(7)</u>                                                                                                                                     |
| 10.6           | <u>Non-Employee Directors Deferred Compensation and Equity Award Plan.(7)</u>                                                                                                                                                      |

10.7 Form of Non-Qualified Stock Option Award Agreement Pursuant to the Amended and Restated 2009 Equity Incentive Plan.(8)

57

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Table of Contents

- 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)
- 10.19 Form of Unit Agreement Pursuant to the 2013 Key Employee Long-Term Incentive Plan. (20)
- 10.20 At the Market Offering Agreement, dated as of December 20, 2016, between Golden Minerals Company and H.C. Wainwright & Co., LLC, as amended by the Amendment dated November 23, 2018. (22) (24)

Table of Contents

|         |                                                                                                                                                                                 |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.21   | <u>Option Agreement, dated as of August 2, 2017, between Golden Minerals Company and Hecla Mining Company. (23)</u>                                                             |
| 10.22   | <u>Purchase Agreement, dated as of May 9, 2018 between Golden Minerals Company and Lincoln Park Capital Fund, LLC (Registered Purchase Agreement). (25)</u>                     |
| 10.23   | <u>Purchase Agreement, dated as of May 9, 2018 between Golden Minerals Company and Lincoln Park Capital Fund, LLC (Commitment Purchase Agreement). (25)</u>                     |
| 10.24   | <u>Registration Rights Agreement, dated as of May 9, 2018 between Golden Minerals Company and Lincoln Park Capital Fund, LLC. (25)</u>                                          |
| 10.25   | <u>Contract of Assignment of Rights, dated as of August 30, 2018, among Minera de Cordilleras, S. de R.L. de C.V., and Minera Adularia Exploracion, S. de R.L. de C.V. (26)</u> |
| 10.26   | <u>Assignment of Rights Agreement, dated as of August 30, 2018, among Minera de Cordilleras, S. de R.L. de C.V., and Minera Adularia Exploracion, S. de R.L. de C.V. (26)</u>   |
| 21.1    | <u>Subsidiaries of the Company.*</u>                                                                                                                                            |
| 23.1    | <u>Consent of EKS&amp;H LLLP.*</u>                                                                                                                                              |
| 23.2    | <u>Consent of Plante Moran LLLP.*</u>                                                                                                                                           |
| 23.3    | <u>Consent of Tetra Tech.*</u>                                                                                                                                                  |
| 23.4    | <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*                                                                                                                                              |

Table of Contents

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.
- (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

Table of Contents

(24) Incorporated by reference to our Current Report on Form 8-K filed on November 23, 2018.

(25) Incorporated by reference to our Current Report on Form 8-K filed on May 9, 2018.

(26) Incorporated by reference to our Current Report on Form 8-K filed on September 6, 2018.

\* Filed herewith.

\*\* Furnished herewith.

Table of Contents

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: February 28, 2019 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<br>Warren M. Rehn             | President and Chief Executive Officer<br>(Principal Executive Officer)                            | February 28, 2019 |
| /s/ ROBERT P. VOGELS<br>Robert P. Vogels         | Senior Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | February 28, 2019 |
| /s/ JEFFREY G. CLEVINGER<br>Jeffrey G. Clevenger | Chairman of the Board of Directors                                                                | February 28, 2019 |
| /s/ W. DURAND EPPLER<br>W. Durand Eppler         | Director                                                                                          | February 28, 2019 |
| /s/ KEVIN R. MORANO<br>Kevin R. Morano           | Director                                                                                          | February 28, 2019 |
| /s/ TERRY M. PALMER<br>Terry M. Palmer           | Director                                                                                          | February 28, 2019 |
| /s/ ANDREW N. PULLAR<br>Andrew N. Pullar         | Director                                                                                          | February 28, 2019 |
| /s/ DAVID H. WATKINS<br>David H. Watkins         | Director                                                                                          | February 28, 2019 |



Table of Contents

GOLDEN MINERALS COMPANY

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX

|                                                                                                                                 |             |
|---------------------------------------------------------------------------------------------------------------------------------|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>                                                                  | Page<br>F-3 |
| <u>Consolidated Balance Sheets at December 31, 2018 and 2017</u>                                                                | F-4         |
| <u>Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2018 and December 31, 2017</u> | F-5         |
| <u>Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and December 31, 2017</u>                 | F-6         |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2018 and December 31, 2017</u>                        | F-7         |
| <u>Notes to the Consolidated Financial Statements</u>                                                                           | F-8         |

Table of Contents

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

Golden Minerals Company

Golden, Colorado

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheet of Golden Minerals Company (the “Company”) as of December 31, 2017, and the related consolidated statements of operations and comprehensive loss, changes in equity and cash flows, for the year ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

/s/ EKS&H LLLP

March 1, 2018

Denver, Colorado



Table of Contents

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 balance sheets of Golden Minerals Company (the “Company”) as of December 31, 2018, the related statements of operations and comprehensive loss, changes in equity, and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audit. 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 audit 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 audit 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 audit 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 audit provides a reasonable basis

for our opinion.

/s/ Plante & Moran, PLLC

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

February 28, 2019  
Denver, Colorado

F-3

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Table of Contents

## GOLDEN MINERALS COMPANY

## CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

|                                                                                                                                    | December 31,<br>2018              | December 31,<br>2017 |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------|
|                                                                                                                                    | (in thousands, except share data) |                      |
| Assets                                                                                                                             |                                   |                      |
| Current assets                                                                                                                     |                                   |                      |
| Cash and cash equivalents (Note 5)                                                                                                 | \$ 3,293                          | \$ 3,250             |
| Short-term investments (Note 5)                                                                                                    | 330                               | 238                  |
| Lease receivables                                                                                                                  | 481                               | 314                  |
| Inventories, net (Note 7)                                                                                                          | 229                               | 242                  |
| Value added tax receivable, net (Note 8)                                                                                           | 14                                | 148                  |
| Prepaid expenses and other assets (Note 6)                                                                                         | 1,188                             | 745                  |
| Total current assets                                                                                                               | 5,535                             | 4,937                |
| Property, plant and equipment, net (Note 9)                                                                                        | 7,109                             | 8,140                |
| Total assets                                                                                                                       | \$ 12,644                         | \$ 13,077            |
| Liabilities and Equity                                                                                                             |                                   |                      |
| Current liabilities                                                                                                                |                                   |                      |
| Accounts payable and other accrued liabilities (Note 10)                                                                           | \$ 1,702                          | \$ 1,556             |
| Deferred revenue, current (Note 16)                                                                                                | 293                               | 293                  |
| Other current liabilities (Note 10)                                                                                                | 12                                | 9                    |
| Total current liabilities                                                                                                          | 2,007                             | 1,858                |
| Asset retirement and reclamation liabilities (Note 11)                                                                             | 2,683                             | 2,495                |
| Deferred revenue, non-current (Note 16)                                                                                            | 307                               | 600                  |
| Other long term liabilities                                                                                                        | 10                                | 43                   |
| Total liabilities                                                                                                                  | 5,007                             | 4,996                |
| Commitments and contingencies (Note 19)                                                                                            |                                   |                      |
| Equity (Note 15)                                                                                                                   |                                   |                      |
| Common stock, \$.01 par value, 200,000,000 shares authorized; 95,620,796 and 91,929,709 shares issued and outstanding respectively | 955                               | 919                  |
| Additional paid in capital                                                                                                         | 517,806                           | 516,284              |
| Accumulated deficit                                                                                                                | (511,124)                         | (509,082)            |
| Accumulated other comprehensive loss                                                                                               | —                                 | (40)                 |
| Shareholders' equity                                                                                                               | 7,637                             | 8,081                |
| Total liabilities and equity                                                                                                       | \$ 12,644                         | \$ 13,077            |

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



Table of Contents

## GOLDEN MINERALS COMPANY

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in United States dollars)

|                                                       | The Year Ended December 31,          |            |
|-------------------------------------------------------|--------------------------------------|------------|
|                                                       | 2018                                 | 2017       |
|                                                       | (in thousands except per share data) |            |
| Revenue:                                              |                                      |            |
| Oxide plant lease (Note 16)                           | \$ 7,217                             | \$ 6,691   |
| Costs and expenses:                                   |                                      |            |
| Oxide plant lease costs (Note 16)                     | (2,289)                              | (2,189)    |
| Exploration expense                                   | (3,909)                              | (3,091)    |
| El Quevar project expense                             | (1,266)                              | (822)      |
| Velardeña shutdown and care and maintenance costs     | (1,889)                              | (1,589)    |
| Administrative expense                                | (3,355)                              | (3,512)    |
| Stock based compensation                              | (226)                                | (296)      |
| Reclamation expense                                   | (210)                                | (196)      |
| Other operating income, net (Notes 8 and 9)           | 5,138                                | 2,093      |
| Depreciation and amortization                         | (1,171)                              | (952)      |
| Total costs and expenses                              | (9,177)                              | (10,554)   |
| Income (loss) from operations                         | (1,960)                              | (3,863)    |
| Other income and (expense):                           |                                      |            |
| Interest and other (expense) income, net (Note 17)    | 112                                  | 37         |
| Loss on foreign currency                              | (84)                                 | (53)       |
| Total other income (loss)                             | 28                                   | (16)       |
| Income (loss) from operations before income taxes     | (1,932)                              | (3,879)    |
| Income tax                                            | (13)                                 | (13)       |
| Net income (loss)                                     | \$ (1,945)                           | \$ (3,892) |
| Comprehensive income (loss), net of tax:              |                                      |            |
| Unrealized gain (loss) on securities (Note 5)         | —                                    | (95)       |
| Comprehensive income (loss), net of tax:              | \$ (1,945)                           | \$ (3,987) |
| Net income (loss) per common share — basic            |                                      |            |
| Loss                                                  | \$ (0.02)                            | \$ (0.04)  |
| Weighted average Common Stock outstanding - basic (1) | 94,003,165                           | 90,468,606 |

(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.



Table of Contents

## GOLDEN MINERALS COMPANY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in United States dollars)

|                                                                          | Common Stock                               |        | Additional<br>Paid-in | Accumulated  | Accumulated<br>Other<br>Comprehensive<br>Income<br>(loss) | Total<br>Equity |
|--------------------------------------------------------------------------|--------------------------------------------|--------|-----------------------|--------------|-----------------------------------------------------------|-----------------|
|                                                                          | Shares<br>(in thousands except share data) | Amount | Capital               | Deficit      |                                                           |                 |
| Balance, December 31, 2016                                               | 89,020,041                                 | \$ 889 | \$ 495,455            | \$ (488,037) | \$ 55                                                     | \$ 8,362        |
| Cumulative adjustment related to change in accounting principle (Note 4) | —                                          | —      | 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             |
| Consideration shares sold to Hecla, net (Notes 15 and 16)                | 1,811,015                                  | 18     | 912                   | —            | —                                                         | 930             |
| Cancellation of treasury shares (Note 15)                                | (125,739)                                  | 1      | (1)                   | —            | —                                                         | —               |
| Deemed dividend on warrants (Note 4)                                     | —                                          | —      | 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        |
| Cumulative adjustment related to change in accounting principle (Note 4) | —                                          | —      | —                     | (89)         | 40                                                        | (49)            |
| Adjusted balance at January 1, 2018                                      | 91,929,709                                 | \$ 919 | \$ 516,284            | \$ (509,171) | \$ —                                                      | \$ 8,032        |

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|                                                                            |            |        |            |              |      |          |
|----------------------------------------------------------------------------|------------|--------|------------|--------------|------|----------|
| Stock compensation<br>accrued and shares issued<br>for vested stock awards | 537,279    | 4      | 312        | —            | —    | 316      |
| Registered direct<br>purchase agreement, net<br>(Note 15)                  | 3,153,808  | 32     | 1,202      | —            | —    | 1,234    |
| Deemed dividend on<br>warrants (Note 4)                                    | —          | —      | 8          | (8)          | —    | —        |
| Net loss                                                                   | —          | —      | —          | (1,945)      | —    | (1,945)  |
| Balance, December 31,<br>2018                                              | 95,620,796 | \$ 955 | \$ 517,806 | \$ (511,124) | \$ — | \$ 7,637 |

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

F-6

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Table of Contents

GOLDEN MINERALS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

|                                                               | Year Ended<br>December 31,<br>2018              2017<br>(in thousands) |            |
|---------------------------------------------------------------|------------------------------------------------------------------------|------------|
| Cash flows from operating activities:                         |                                                                        |            |
| Net cash used in operating activities (Note 18)               | \$ (5,711)                                                             | \$ (1,630) |
| Cash flows from investing activities:                         |                                                                        |            |
| Proceeds from sale of assets                                  | 5,097                                                                  | 762        |
| Acquisitions of property, plant and equipment                 | (152)                                                                  | (81)       |
| Net cash from investing activities                            | \$ 4,945                                                               | \$ 681     |
| Cash flows from financing activities:                         |                                                                        |            |
| Proceeds from issuance of common stock, net of issuance costs | 809                                                                    | 1,611      |
| Net cash from financing activities                            | \$ 809                                                                 | \$ 1,611   |
| Net increase in cash and cash equivalents                     | 43                                                                     | 662        |
| Cash and cash equivalents, beginning of period                | 3,250                                                                  | 2,588      |
| Cash and cash equivalents, end of period                      | \$ 3,293                                                               | \$ 3,250   |

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

Table of Contents

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 has placed the mine and sulfide processing plant on care and maintenance to enable a re-start of either the mine or mill when mining and processing plans and metals prices support a cash positive outlook. The Company incurred approximately \$1.9 million and \$1.6 million in care and maintenance costs for years ended December 30, 2018 and December 31, 2017, respectively. On an ongoing basis, the Company expects to incur approximately \$0.4 million in quarterly care and maintenance costs 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 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 Velardeña oxide plant began processing material for Hecla in mid-December 2015, and the Company recorded net operating margin under the lease of approximately \$4.9 million in 2018. On March 24, 2017, Hecla exercised its right to extend the lease through December 31, 2018. On August 2, 2017, the Company granted Hecla an additional 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 par at a price of \$0.55 per share, based on an undiscounted 30-day volume weighted average stock price (see Note 15). On October 1, 2018, Hecla exercised this option to extend the lease through December 31, 2020. Hecla has the right to terminate the lease with 120 days’ notice.

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 focused on advancing our El Quevar exploration

property in Argentina and on advancing selected properties in our portfolio of approximately 12 properties, located primarily in Mexico. The Company is also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico.

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

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

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 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. Liquidity

At December 31, 2018, the Company’s aggregate cash and cash equivalents totaled \$3.3 million, equal to the \$3.3 million in similar assets held at December 31, 2017. The December 31, 2018 balance is due in part from the following expenditures and cash inflows for the year ended December 31, 2018. Expenditures totaled \$10.8 million from the following:

- \$3.9 million in exploration expenditures, including work at the Santa Maria and other properties;
- \$1.9 million in care and maintenance costs at the Velardeña Properties;
- \$1.3 million in evaluation activities, care and maintenance and property holding costs at the El Quevar project;
- \$3.4 million in general and administrative expenses; and
- \$0.3 million related to an increase in working capital primarily related to the reduction of \$0.3 million in deferred income related to the oxide plant lease.

The foregoing expenditures were offset by cash inflows of \$10.8 million from the following:

- \$4.9 million of net operating margin received pursuant to the oxide plant lease (defined as oxide plant lease revenue less oxide plant lease costs);

- \$0.8 million, net of commitment fees and other offering related costs, from the LPC Program;
- \$4.0 million from the sale of our interests in the Celaya property to Electrum;
- \$0.7 million from the farm out of certain nonstrategic mineral claims to Santacruz; and
- \$0.4 million from the sale of two inactive subsidiaries in Mexico.

In addition to the \$3.3 million cash balance at December 31, 2018, the Company expects to receive approximately \$4.6 million in net operating margin from the lease of the oxide plant during the next twelve-month period ending December 31, 2019. In addition, subsequent to December 31, 2018 the Company received approximately \$0.2 million

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

from the sale of our common stock under the LPC Program. The Company's currently budgeted expenditures during the twelve months ending December 31, 2019 are as follows:

- 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 Yoquivo and other properties;
- Approximately \$1.5 million at the Velardeña Properties for care and maintenance;
- Approximately \$1.2 million at the El Quevar project to fund ongoing exploration and evaluation activities, care and maintenance and property holding costs; and
- Approximately \$3.1 million on general and administrative costs.

If the Company spends the amounts described above, it would end 2019 with a cash balance of approximately zero. However, the Company does not intend to allow its cash balance to drop below acceptable levels. Therefore, during 2019 the Company intends to take appropriate actions, which may include sales of certain of the Company's nonstrategic exploration assets, reductions to the Company's currently budgeted level of spending, and/or raising additional equity capital through sales under the ATM Program, LPC Program or otherwise.

The actual amount of cash that we receive or the expenditures that the Company incurs during the year ended 2019 and the projected cash balance at December 31, 2019 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 the Company's other exploration properties, including El Quevar. Moreover, revenues from the oxide plant lease may be less than anticipated, which would require further actions on the Company's part in order to maintain sufficient cash balances at year end.

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, the Company's continuing long-term operations are dependent upon its 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 the Company's consolidated financial statements are dependent on its 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 the Company will be successful in generating future profitable operations or securing additional funding in the future on terms acceptable to the Company or at all. The Company believes the continuing cash flow from the lease of the oxide plant, use of the ATM Program and LPC Program, and the potential for additional asset dispositions make it probable that the Company will have sufficient cash to meet its financial obligations and continue its business strategy beyond one year from the filing of the Company's consolidated financial statements for the period ended December 31, 2018.

### 3.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

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

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; depreciation, depletion and amortization calculations; environmental reclamation and closure obligations; 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 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 any of the Company's properties. As such, during the periods prior to November 2016 when the Company suspended mining and processing activities, the

F-11

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Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

Company expensed costs as incurred related to extraction of mineralized material at the 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.

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, 2017 and 2018, and determined that no impairment was required.

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

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

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 606 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 606 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).

i. Stock 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, 2018 and 2017, all potentially dilutive shares were excluded from the computation of diluted earnings per share because to include them would have been anti-dilutive.

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 year ended December 31, 2017 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).

As the result of a 2018 change in accounting principle, discussed in Note 4, the Company now records the changes in readily determinable fair values of equity investments through net income. Accordingly, no amounts were recorded to Comprehensive Income (Loss) for the year ended December 31, 2018.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

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

During the first quarter 2018 the Company adopted ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which amended its accounting treatment for the recognition, measurement, presentation and disclosure of certain financial assets. ASU 2016-01 requires equity investments that have a readily determinable fair value to be measured at fair value through net income. Previously, entities would recognize changes in fair value of available-for-sale equity securities in other comprehensive income and would recognize in net income impairment losses that were other-than-temporary. There will no longer be an available-for-sale classification (with changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. The Company recognized retrospectively the cumulative effect of initially adopting ASU 2016-01 (see Note 4).

During the first quarter 2018 the Company adopted 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). The adoption of ASU 2016-08 during the first quarter 2018, did not result in a material impact on its consolidated financial position or results of operations or the requirement for retrospective reporting.

During the first quarter 2018 the Company adopted ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”) which was issued by the Financial Accounting Standards Board (“FASB”) in May 2014. The Company also adopted ASU No. 2017-05, “Other Income (Subtopic 310-20)” (“ASU 2017-05”), which was issued by the FASB in February 2017 clarifying the scope of Subtopic 610-20, which was originally issued as part of 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. The Company has elected the modified retrospective method of adopting ASU 2014 (see Note 4).

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

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

for Mandatorily Redeemable Financial Instruments of Certain Nonpublic 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 4).

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.

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.

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 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

Table of Contents

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 2019, the Company extended the office lease at its corporate headquarters in the U.S. Lease payments for base rent and common area maintenance are estimated to be approximately \$0.9M from January 2019 through December 2024.

4. Change in Accounting Principle

Warrant Liability

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling 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 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 September 2012 and 2014 warrants (see Note 15) include anti-dilution provisions characterized as down round features and were previously 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 \$1.5 million as of September 30, 2017 and reported a warrant derivative loss of \$0.4 million for the nine months ended September 30, 2017 relating to the September 2012 and 2014 warrants prior to the change in accounting principle.

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 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 \$3,000 related to triggering events. During the year ending December 31, 2018 the Company reduced its accumulated deficit by approximately \$8,000 related to triggering events.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

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 during the interim period ended September 30, 2017 and recorded a cumulative-effect adjustment stemming from a change in accounting principle in its financial statements measured retrospectively to the beginning of 2017. The cumulative effect adjustment appears at the beginning of 2017 in the Company's Consolidated Statement of Changes in Equity. The results of operations for the Company for the three months ended March 31, 2017 reflect application of the change in accounting principle from the beginning of 2017. As noted above, the Company had previously reported a warrant derivative gain of \$0.4 million during the nine-month period ending September 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.

Other Income Related to the Sale of Exploration Properties

During the first quarter 2018 the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") which was issued by the FASB in May 2014. 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. The Company has elected the modified retrospective method of initially adopting ASU 2014-09.

ASU 2014-09 requires, in certain instances, that transactions covered by ASC Topic 610, "Other Income" ("Topic 610") follow the recognition, measurement and disclosure guidelines established by ASU 2014-09. The Company generally follows the guidance of Topic 610 with respect to the recognition of income from the farm-out or sale of exploration properties. As of the beginning of 2018, the Company had one open contract impacted by the adoption of ASU 2014-09, involving an option agreement under which Santacruz Silver Mining Ltd. ("Santacruz") may acquire the Company's 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 (Note 9). In applying ASU 2014-09, approximately \$49,000 of the income recognized from the Santacruz transaction in the fourth quarter of 2017 would have been recognized in the first quarter of 2018. Accordingly, the Company has recognized retrospectively the cumulative effect of initially adopting ASU 2014-09 by recording a negative adjustment to retained earnings of \$49,000 at the beginning of 2018, included in the Company's Consolidated Statement of Changes in Equity, and

recording \$49,000 in “Other operating income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss for the period ended December 31, 2018. See Note 9 for a further description of the contract with Santacruz and the identification of performance obligations and other significant judgments used in applying the guidance of Topic 606 to the contract.

#### Available for Sale Securities

During the first quarter 2018 the Company adopted ASU No. 2016-01, which amended its accounting treatment for the recognition, measurement, presentation and disclosure of certain financial assets. ASU 2016-01 requires equity investments that have readily determinable fair values to be measured at fair value through net income. Previously, entities would recognize changes in fair value of available-for-sale equity securities in other comprehensive income and would recognize in net income impairment losses that were other-than-temporary. There will no longer be an available-for-sale classification (with changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. At December 31, 2017, the Company had equity securities classified as available-for-sale and

Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

reported at fair value of \$238,000, with cumulative unrealized losses of \$40,000 recorded in “Accumulated other comprehensive loss” on its Consolidated Balance Sheets. The Company has recognized the cumulative effect of initially adopting ASU 2016-01 by recording a negative adjustment to retained earnings and other comprehensive income of \$40,000 at the beginning of 2018, included in the Company’s Consolidated Statement of Changes in Equity, and has recorded a gain of approximately \$51,000 in “Interest and other income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss for the period ended December 31, 2018.

## 5.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, 2018 and 2017:

| December 31, 2018                     | Cost           | Estimated<br>Fair Value | Carrying<br>Value |
|---------------------------------------|----------------|-------------------------|-------------------|
|                                       | (in thousands) |                         |                   |
| Investments:                          |                |                         |                   |
| Short-term:                           |                |                         |                   |
| Trading securities                    | \$ 275         | \$ 330                  | \$ 330            |
| Total trading securities              | 275            | 330                     | 330               |
| Total short term                      | \$ 275         | \$ 330                  | \$ 330            |
| December 31, 2017                     |                |                         |                   |
| Investments:                          |                |                         |                   |
| Short-term:                           |                |                         |                   |
| Available for sale common stock       | \$ 275         | \$ 238                  | \$ 238            |
| Total available for sale common stock | 275            | 238                     | 238               |
| Total short term                      | \$ 275         | \$ 238                  | \$ 238            |

## 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.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

6.Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

|                               | December<br>31,<br>2018 | December<br>31,<br>2017 |
|-------------------------------|-------------------------|-------------------------|
|                               | (in thousands)          |                         |
| Prepaid insurance             | \$ 358                  | \$ 362                  |
| Deferred offering costs       | 569                     | 137                     |
| Recoupable deposits and other | 261                     | 246                     |
|                               | \$ 1,188                | \$ 745                  |

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

7.Inventories

Inventories at the Velardeña Properties were as follows:

|                       | December<br>31,<br>2018 | December<br>31,<br>2017 |
|-----------------------|-------------------------|-------------------------|
|                       | (in thousands)          |                         |
| Material and supplies | \$ 229                  | \$ 242                  |
|                       | \$ 229                  | \$ 242                  |

The material and supplies inventory at December 31, 2018 and 2017 are related to the Velardeña Properties and are reduced by a \$0.2 million obsolescence reserve.

#### 8.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, 2018, the Company has also recorded approximately \$30,000 of VAT receivable as a reduction to VAT payable in Mexico, which appears in “Accounts payable and other accrued liabilities” on the 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 Consolidated Statements of Operations and Comprehensive Loss. In February 2018, the Company 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 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.

Table of Contents

## 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.

## 9. Property, Plant and Equipment

Property, plant and equipment, net

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

|                                                 | December<br>31,<br>2018<br>(in thousands) | December<br>31,<br>2017 |
|-------------------------------------------------|-------------------------------------------|-------------------------|
| Mineral properties                              | \$ 9,353                                  | \$ 9,352                |
| Exploration properties                          | 2,518                                     | 2,518                   |
| Royalty properties                              | 200                                       | 200                     |
| Buildings                                       | 4,278                                     | 4,246                   |
| Mining equipment and machinery                  | 16,024                                    | 15,989                  |
| Other furniture and equipment                   | 888                                       | 958                     |
| Asset retirement cost                           | 866                                       | 865                     |
|                                                 | 34,127                                    | 34,128                  |
| Less: Accumulated depreciation and amortization | (27,018)                                  | (25,988)                |
|                                                 | \$ 7,109                                  | \$ 8,140                |

## Equipment Related to the Oxide Plant Lease

Certain assets of the Company are related to the lease of the Velardeña oxide plant to Hecla (see Note 1). The net book value of the equipment involved in the lease was \$0.8 million and \$1.2 million for the years ended December 31, 2018 and December 31, 2017, respectively.

## Minera Indé Equipment Sale

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 (“Sentient”), for \$687,000 (see Note 22). The equipment sold was excess equipment held at the Company’s Velardeña Properties that the Company did not expect to use. 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 on the sale of the additional equipment, included in “Other operating income, net” in the accompanying 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.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

Celaya Farm-out

In August 2016, the Company, through its wholly owned Mexican subsidiary, entered into an earn-in agreement with a 100% owned Mexican subsidiary of Electrum Group, LLC, a privately owned company (together “Electrum”), related to the Company’s Celaya exploration property in Mexico. The Company received an upfront payment of \$0.2 million and Electrum agreed to incur exploration expenditures totaling at least \$0.5 million in 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 initially earned the right to acquire an undivided 60% interest in a joint venture company to be formed to hold the Celaya project by incurring exploration expenditures totaling at least \$2.5 million during the initial first three years of the agreement. Electrum would serve as manager of the joint venture. Prior to subsequent amendments to the agreement, the Company would have been allowed to maintain a 40% interest in the Celaya project, following the initial earn-in period, by contributing its pro-rata share of an additional \$2.5 million in exploration or development expenditures incurred over a second three-year period.

In February 2018, the Company and Electrum amended the Celaya earn-in agreement to permit Electrum to earn, at its option, an incremental 20% interest in the Celaya project in exchange for a payment of \$1.0 million. Following the amendment, Electrum could have increased 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, and prior to the Company entering into a second and final amendment of the agreement, the Company could have maintained its 20% participating interest, or its interest could ultimately have been converted into a carried 10% net profits interest if the Company elected not to participate as a joint venture owner.

In September 2018, the Company and Electrum entered into a second and final amendment of the Celaya earn-in agreement pursuant to which Electrum acquired 100% of the Company’s remaining interest in the Celaya project in exchange for a payment of \$3.0 million. The transaction was set out in a definitive Assignment of Rights Agreement (the “Assignment Agreement”) containing customary terms and conditions. The earn-in agreement was terminated upon entry into the Assignment Agreement.

The Company has previously expensed all its costs associated with the Celaya property and accordingly recognized gains of \$1.0 million from the execution of the first amendment to the agreement and \$3.0 million upon execution of the Assignment Agreement, during the year ended December 31, 2018, with the amounts included in “Other operating income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss.

## Zacatecas Farm-out

In April 2016, the Company entered into an option agreement, which was later amended in February 2018, under which Santacruz Silver Mining Ltd. (“Santacruz”) has acquired the Company’s interest in the Zacatecas Properties for a series of payments totaling approximately \$1.5 million through October 2018, including \$249,000, \$225,000 and \$212,000 paid to the Company during the first, second and third quarters of 2018, respectively. The final payment due the Company of \$13,000 was received in October 2018. Upon receipt of each cash payment, the agreement imposed a performance obligation on the Company to provide Santacruz an exclusive right to the Zacatecas Properties to conduct exploration activities during the period from receipt of the payment until the next payment due date, with a final obligation, following receipt of the final payment, to formally acknowledge completion of the sale enabling Santacruz to register the title to the properties in their name. At December 31, 2018, there were no further performance obligations and the Company had taken all steps necessary for Santacruz to take title to the properties.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

The Company has previously expensed all its costs associated with the Zacatecas Properties. The Company recognized income, equal to the cash payments made, evenly over the period covered by each payment. The Company recognized approximately \$748,000 of income under the agreement during the year ended December 31, 2018, which is included in “Other operating income, net” in the accompanying Consolidated Statements of Operations and Comprehensive Loss.

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10.Accounts Payable and Other Accrued Liabilities

The Company’s accounts payable and other accrued liabilities consist of the following:

|                                            | December<br>31,<br>2018 | December<br>31,<br>2017 |
|--------------------------------------------|-------------------------|-------------------------|
|                                            | (in thousands)          |                         |
| Accounts payable and accruals              | \$ 358                  | \$ 310                  |
| Accrued employee compensation and benefits | 1,344                   | 1,246                   |
|                                            | \$ 1,702                | \$ 1,556                |

December 31, 2018

Accounts payable and accruals at December 31, 2018 are primarily related to amounts due to contractors and suppliers in the amounts of \$0.2 million related to the Company’s Velardeña Properties and \$0.2 million related to exploration and corporate administrative activities. In the case of the Velardeña Properties, approximately \$0.1 million is related to a net VAT payable.

Accrued employee compensation and benefits at December 31, 2018 consist of \$0.2 million of accrued vacation payable and \$0.4 million related to withholding taxes and benefits payable. Included in the \$1.3 million of accrued employee compensation and benefits is \$0.6 million related to activities at the Velardeña Properties and \$0.4 million related to the Company's 2013 Key Employee Long-Term Incentive Plan (the "KELTIP") (see Note 15).

December 31, 2017

Accounts payable and accruals at December 31, 2017 are primarily related to amounts due to contractors and suppliers in the amounts of \$0.1 million related to the Company's Velardeña Properties and \$0.2 million related to corporate administrative and exploration activities. In the case of the Velardeña Properties, approximately \$0.1 million is related to a net VAT payable.

Accrued employee compensation and benefits at December 31, 2017 consist of \$0.2 million of accrued vacation payable and \$0.6 million related to withholding taxes and benefits payable. Included in the \$1.2 million of accrued employee compensation and benefits is \$0.3 million related to activities at the Velardeña Properties and \$0.4 million related to the KELTIP (see Note 15).

Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

## 11.Asset Retirement and Reclamation Liabilities

The Company retained the services of a mining engineering firm to prepare a detailed closure plan for the Velardeña Properties. The plan was completed during the second quarter 2012 and indicated that the Company had an ARO and offsetting ARC of approximately \$1.9 million. The estimated \$3.5 million ARO and ARC that was recorded at the time of the acquisition of the Velardeña Properties was adjusted accordingly.

The Company will continue to accrue additional estimated ARO amounts based on an asset retirement plan as activities requiring future reclamation and remediation occur. During the year ended December 31, 2018 the Company recognized approximately \$0.2 million of accretion expense and approximately \$2,000 of amortization expense related to the ARC.

The following table summarizes activity in the Velardeña Properties ARO:

|                                 | Year Ended<br>December 31, |          |
|---------------------------------|----------------------------|----------|
|                                 | 2018                       | 2017     |
|                                 | (in thousands)             |          |
| Beginning balance               | \$ 2,448                   | \$ 2,380 |
| Changes in estimates, and other | 2                          | (128)    |
| Accretion expense               | 210                        | 196      |
| Ending balance                  | \$ 2,660                   | \$ 2,448 |

The decrease in the ARO recorded during the year ended December 31, 2017 is the result of changes in assumptions related to inflation factors and discount rates used in the determination of future cash flows.

The ARO set forth on the accompanying Consolidated Balance Sheets at December 31, 2018 and December 31, 2017 includes a nominal amount of reclamation liability related to activities at the El Quevar project in Argentina.

## 12.Other Liabilities

The Company recorded nominal amounts of other current liabilities at December 31, 2018 and December 31, 2017. The amounts are primarily related to the Company's office lease.

## 13.Fair Value Measurements

Financial assets and liabilities and nonfinancial assets and liabilities are measured at fair value on a recurring (annual) basis under a framework of a fair value hierarchy which prioritizes the inputs into valuation techniques used to measure fair value into three broad levels. This hierarchy gives the highest priority to quoted prices (unadjusted) in active markets and the lowest priority to unobservable inputs. Further, financial assets and liabilities should be classified by level in their entirety based upon the lowest level of input that was significant to the fair value measurement. The three levels of the fair value hierarchy per ASC 820 are as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

Level 2: Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data.

Level 3: Unobservable inputs due to the fact that there is little or no market activity. This entails using assumptions in models which estimate what market participants would use in pricing the asset or liability.

## Recurring Fair Value Measurements

The following table summarizes the Company's financial assets and liabilities measured on a recurring basis at fair value at December 31, 2018 and 2017 by respective level of the fair value hierarchy:

|                           | Level 1<br>(in thousands) | Level 2 | Level 3 | Total    |
|---------------------------|---------------------------|---------|---------|----------|
| At December 31, 2018      |                           |         |         |          |
| Assets:                   |                           |         |         |          |
| Cash and cash equivalents | \$ 3,293                  | \$ —    | \$ —    | \$ 3,293 |
| Lease receivables         | 481                       | —       | —       | 481      |
| Short-term investments    | 330                       | —       | —       | 330      |
|                           | \$ 4,104                  | \$ —    | \$ —    | \$ 4,104 |
| At December 31, 2017      |                           |         |         |          |
| Assets:                   |                           |         |         |          |
| Cash and cash equivalents | \$ 3,250                  | \$ —    | \$ —    | \$ 3,250 |
| Lease receivables         | 314                       | —       | —       | 314      |
| Short-term investments    | 238                       | —       | —       | 238      |
|                           | \$ 3,802                  | \$ —    | \$ —    | \$ 3,802 |

The Company's cash equivalents, comprised principally of U.S. treasury securities, are classified within Level 1 of the fair value hierarchy.

The Company's trade accounts receivable are classified within Level 1 of the fair value hierarchy and are related to the oxide plant lease per the terms of the lease rates established in the plant lease agreement.

The Company's short-term investments consist of the common stock in Golden Tag and are classified within Level 1 of the fair value hierarchy (see Note 5)

At December 31, 2018 and 2017 the Company did not have any financial assets or liabilities classified within Level 2 or Level 3 of the fair value hierarchy.

#### Non-recurring Fair Value Measurements

There were no non-recurring fair value measurements at December 31, 2018 or December 31, 2017.

Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

The Company assesses the fair value of its long lived assets if circumstances indicate a change in the fair value has occurred. The valuation policies are approved by the Chief Financial Officer who reviews and approves the inputs used in the fair value calculations and the changes in fair value measurements from period to period for reasonableness. Fair value measurements are discussed with the Company's Chief Executive Officer, as deemed appropriate.

No fair value adjustments to long lived assets were recorded during the years ended December 31, 2018 and December 31, 2017.

## 14. Income Taxes

The Company accounts for income taxes in accordance with the provisions of ASC 740 on a tax jurisdictional basis. The provision for income taxes consists of the following:

|                            | For the Year<br>Ended<br>December 31, |       |
|----------------------------|---------------------------------------|-------|
|                            | 2018                                  | 2017  |
|                            | (in thousands)                        |       |
| CURRENT TAXES:             |                                       |       |
| United States              | \$ —                                  | \$ —  |
| Other Countries            | 13                                    | 13    |
|                            | \$ 13                                 | \$ 13 |
| DEFERRED TAXES:            |                                       |       |
| United States              | \$ —                                  | \$ —  |
| Other Countries            | —                                     | —     |
|                            | \$ —                                  | \$ —  |
| Total income tax provision | \$ 13                                 | \$ 13 |

Income (loss) from operations before income taxes by country consists of the following:

|                 | For the Year Ended<br>December 31, |            |
|-----------------|------------------------------------|------------|
|                 | 2018                               | 2017       |
|                 | (in thousands)                     |            |
| United States   | \$ (1,930)                         | \$ (7,197) |
| Other Countries | (2)                                | 3,318      |
|                 | \$ (1,932)                         | \$ (3,879) |

The Company recorded \$13,000 and \$13,000 of current tax expense for the years ended December 31, 2018 and December 31, 2017, respectively, stemming from taxable income of a subsidiary in Mexico. No deferred taxes were recorded in 2018 or 2017, as any such tax expense or benefit incurred during the year has been offset against a change in the valuation allowance of various deferred tax assets in each country.

Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

A reconciliation of the provision for income taxes computed at the statutory rate to the provision for income taxes as shown in the Consolidated Statements of Operations and Comprehensive Loss is summarized below.

|                                              | For Year Ended December 31, |            |
|----------------------------------------------|-----------------------------|------------|
|                                              | 2018                        | 2017       |
|                                              | (in thousands)              |            |
| Tax expense (benefit) at US rate of 21%      | \$ (406)                    | \$ (1,319) |
| Other adjustments:                           |                             |            |
| Rate differential of other jurisdictions     | 67                          | (70)       |
| Effects of foreign earnings                  | (455)                       | 310        |
| Change in valuation allowance                | (16,142)                    | 33,975     |
| Provision to tax return true-ups             | (2,012)                     | (33,720)   |
| Exchange rate changes on deferred tax assets | 5,891                       | (8,444)    |
| Effect of a change in tax rates              | —                           | 11,516     |
| Tax loss on sale of subsidiary               | —                           | (1,693)    |
| Inflation adjustment on net operating losses | (550)                       | (2,491)    |
| Expired net operating losses                 | 13,669                      | 1,931      |
| Other                                        | (49)                        | 18         |
| Income tax provision                         | \$ 13                       | \$ 13      |

The components of the deferred tax assets and deferred tax liabilities are as follows:

|                                  | For the year ended December 31, |            |
|----------------------------------|---------------------------------|------------|
|                                  | 2018                            | 2017       |
|                                  | (in thousands)                  |            |
| Deferred tax assets:             |                                 |            |
| Net operating loss carryforwards | \$ 117,665                      | \$ 131,866 |
| Stock-based compensation         | 593                             | 517        |
| Property, plant and equipment    | 3,284                           | 4,307      |
| Other                            | 2,809                           | 3,274      |
|                                  | 124,351                         | 139,964    |
| Less: Valuation allowance        | (123,652)                       | (139,795)  |

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|                                    |       |       |
|------------------------------------|-------|-------|
| Total deferred tax assets          | 699   | 169   |
| Deferred tax liabilities:          |       |       |
| Property, plant and equipment      | (699) | (169) |
| Total deferred tax liabilities     | (699) | (169) |
| Net deferred tax asset (liability) | \$ —  | \$ —  |

In accordance with ASC 740, the Company presents deferred tax assets net of its deferred tax liabilities on a tax jurisdictional basis on its Consolidated Balance Sheets. The net deferred tax liability as of December 31, 2018 and December 31, 2017 was zero.

At the end of 2017 a new U.S. tax law was enacted, lowering the U.S. corporate tax rate beginning in 2018 to 21% from the top rate of 35%. The tax rate change resulted in a reduction of the Company's U.S. deferred tax assets by \$10.2 million. The Company's deferred tax assets are currently completely offset by a valuation allowance so the reduction

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

in U.S. deferred tax assets had no impact on the Company's financial statements for the year ended December 31, 2017. In addition, the new tax law imposed a transition tax on the accumulated earnings and profits of controlled foreign corporations ("CFC's). None of the Company's CFCs currently have accumulated earnings and profits and therefore the Company had no transition tax liability. No other provisions of the new tax law had a material impact on the Company's financial statements for the period ended December 31, 2017.

At December 31, 2018 the Company had net operating loss carryforwards in the U.S. and in certain non-U.S. jurisdictions totaling \$434.9 million. Of these, \$79.8 million is related to the Velardeña Properties in Mexico and expires in future years through 2028, \$12.5 million is related to other Mexico exploration activities expiring in future years through 2028, \$89.6 million exists in Spain and has no expiration date, and \$179.7 million exists in other non-U.S. countries, which will expire in future years through 2035. In the U.S. there are \$73.3 million of net operating loss carryforwards which have no expiration.

The valuation allowance offsetting the net deferred tax assets of the Company of \$123.7 million and \$139.8 million at December 31, 2018 and 2017, respectively, relates primarily to the uncertain utilization of certain deferred tax assets, primarily net operating loss carryforwards, in various tax jurisdictions. The Company continually assesses both positive and negative evidence to determine whether it is more likely than not that deferred tax assets can be realized prior to their expiration.

The Company, a Delaware corporation, and its subsidiaries file tax returns in the United States and in various foreign jurisdictions. The tax rules and regulations in these countries are highly complex and subject to interpretation. The Company's 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 less than a more-likely-than-not probability of the position being upheld upon review by the relevant taxing authority. Such positions are deemed to be "unrecognized tax benefits" which require additional disclosure and recognition of a liability within the financial statements. If recognized, none of the unrecognized tax benefits would affect the Company's effective tax rate.

Below is a reconciliation of the beginning and ending amount of gross unrecognized tax benefits, which excludes any estimated penalties and interest on all identified unrecognized tax benefits. The Company's unrecognized tax benefits as of December 31, 2018 and 2017 are completely offset by net deferred tax benefits and therefore do not appear on the Consolidated Balance Sheet.

|                                                           | The Year Ended<br>December 31, |        |
|-----------------------------------------------------------|--------------------------------|--------|
|                                                           | 2018                           | 2017   |
|                                                           | (in thousands)                 |        |
| Gross unrecognized tax benefits at beginning of period    | \$ 586                         | \$ 740 |
| Increases for tax positions taken during prior years      | —                              | —      |
| Decreases relating to settlements with taxing authorities | —                              | —      |
| Reductions due to lapse of statute of limitations         | (213)                          | (154)  |
| Gross unrecognized tax benefits at end of period          | \$ 373                         | \$ 586 |

Tax years as early as 2012 remain open and are subject to examination in the Company's principal tax jurisdictions. The Company does not expect a significant change to its net unrecognized tax benefits over the next 12 months. No interest and penalties were recognized in the Consolidated Statement of Operations and Comprehensive Loss for the year ended December 31, 2018 or 2017, and there were no interest and penalties recognized in the statement of

F-27

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Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

financial position as of December 31, 2018 and 2017. The Company classifies income tax related interest and penalties as income tax expense.

15.Equity

Registered direct purchase agreement and commitment purchase agreement and registration rights agreement

On May 9, 2018 the Company entered into a registered direct purchase agreement (the “Registered Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“LPC”) pursuant to which LPC purchased 3,153,808 shares of the Company’s common stock at a price of \$0.4122 per share, the closing price of the Company’s common stock on the NYSE American on May 8, 2018, for an aggregate purchase price of \$1.3 million.

On May 9, 2018, the Company also entered into a commitment purchase agreement (the “Commitment Purchase Agreement” and together with the Registered Purchase Agreement, the “LPC Program”) and a registration rights agreement (the “Registration Rights Agreement”) with LPC, pursuant to which the Company, at its sole discretion, has the right to sell up to an additional \$10.0 million of the Company’s common stock to LPC, subject to certain limitations and conditions contained in the Commitment Purchase Agreement. The Company closed on the Commitment Purchase Agreement in July 2018.

On June 7, 2018, pursuant to the terms of the Registration Rights Agreements, the Company filed a registration statement on Form S-1 (File No. 333-225483) (the “Registration Statement”) registering the resale up to 15,222,941 shares of the Company’s common stock to be issued to LPC pursuant to the terms of the Commitment Purchase Agreement. The Registration Statement was declared effective on June 28, 2018. Proceeds from the LPC Program will be used for general corporate purposes, including advancing the exploration program at the Company’s El Quevar property in Argentina.

Subject to the terms of the Commitment Purchase Agreement, the Company will control the timing and amount of any future sale of the Company’s common stock to LPC. LPC has no right to require any sales by the Company under the Commitment Purchase Agreement but is obligated to make purchases at the Company’s sole direction, as governed by

such agreement. There are no upper limits to the price LPC may be obligated to pay to purchase common stock from the Company and the purchase price of the shares will be based on the prevailing market prices of the Company's shares at the time of each sale to LPC. LPC has agreed not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of the Company's shares of common stock. The Company has the right to terminate the Commitment Purchase Agreement at any time, at its discretion, without any cost or penalty.

In consideration for LPC's commitment to purchase shares pursuant to the Commitment Purchase Agreement, the Company paid LPC a commitment fee of \$300,000 and incurred an additional approximate \$190,000 in stock exchange fees, legal and other associated costs in connection with the LPC Program. The total costs for the LPC Program will be recorded as a reduction to equity as common stock is sold to LPC. As of December 31, 2018, approximately \$58,000 of LPC Program costs had been amortized against \$1.3 million in proceeds received, resulting in \$432,000 of deferred LPC Program costs, recorded in "Prepaid expenses and other assets" on the Consolidated Balance Sheets.

As of December 31, 2018, no additional common stock had been sold to LPC under the LPC Program following the initial sale of common stock pursuant to the Registered Purchase Agreement. Subsequent to December 31, 2018 the Company sold an aggregate of approximately 745,000 common shares under the Commitment Purchase Agreement at an average price of \$0.31 per common share for total proceeds of approximately \$230,000 during the year to date period ended February 27, 2019.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

Cancellation of Treasury Shares

Pursuant to the terms of an agreement between the Company and ECU, relating to the merger of the two companies on September 2, 2011, ECU shareholders had the right to receive 0.05 shares of the Company's common stock for each share of ECU common stock held. On the sixth anniversary following the merger any unconverted shares expired per the terms of the agreement. Accordingly, during December 2017, ECU shares being held for conversion, representing 125,739 shares of the Company, were returned to treasury and canceled.

Consideration Shares

On August 2, 2017, the Company granted Hecla an option to extend the oxide plant lease for an additional period of up to two years (see Note 16). As partial consideration for the option Hecla purchased \$1.0 million, or approximately 1.8 million shares, of the Company's common stock (the "Consideration Shares"), issued at a price of \$0.55 per share, which was the undiscounted 30-day volume weighted average stock price. The Consideration Shares were offered and sold without registration under the Securities Act of 1933, as amended (the "Act") in reliance on the exemptions provided by Section 4(a)(2) of the Act and/or Regulation D promulgated thereunder. Under the terms of the Option Agreement (defined in Note 16), the Company agreed to register with the SEC the resale of the Consideration Shares. A resale registration statement with the SEC became effective in September 2017. The \$1.0 million received for the Consideration Shares, net of \$71,000 in legal and stock exchange issuance fees, has been recorded as equity in the Consolidated Balance Sheets at December 31, 2017.

At the Market Offering Agreement

In December 2016, the Company 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 the Company may, from time to time, issue and sell shares of the Company's 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 (the "ATM Program") or a maximum of 10 million shares. On September 29, 2017, the Company entered into an amendment to the ATM Agreement with Wainwright to reflect a new registration statement on Form S-3 (File No. 333-220461) under which

shares of the Company's common stock may be sold under the ATM Program. On November 23, 2018 the Company entered into a second amendment of the ATM Agreement extending the agreement until the earlier of December 20, 2020, or the date that the ATM Agreement is terminated in accordance with the terms therein. Offers or sales of common shares under the ATM Program will be made only in the United States and no offers or sales of common shares under the ATM Agreement will be made in Canada. The common stock will be distributed at the market prices prevailing at the time of sale. As a result, prices of the common stock sold under the ATM Program may vary as between purchasers and during the period of distribution. The ATM Agreement provides that Wainwright will be entitled to compensation for its services at a commission rate of 2.0% of the gross sales price per share of common stock sold.

The Company reimbursed certain legal expenses of Wainwright totaling \$50,000 and incurred additional accounting, legal, and regulatory costs of approximately \$109,000 in connection with establishing the ATM Program. Such costs have been deferred and will be amortized to equity as sales are completed under the ATM Program. At December 31, 2017 and December 31, 2018, respectively, unamortized costs totaling \$136,000 appear on the accompanying Consolidated Balance Sheets as "Prepaid expense and other assets."

The Company did not sell any stock under the ATM Program during the year ended December 31, 2018. Subsequent to December 31, 2018 the Company sold an aggregate of approximately 34,000 common shares under the

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

Commitment Purchase Agreement at an average price of \$0.34 per common share for total proceeds of approximately \$11,000 during the year to date period ended February 27, 2019. During the year ended December 31, 2018 the Company incurred approximately \$15,000 in additional accounting, legal, and regulatory costs associated with the ATM Program that were included in “General and administrative costs” in the Consolidated Statement of Operations and Comprehensive Loss.

During the year ended December 31, 2017 the Company 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. The Company paid cash commissions and other nominal transaction fees to Wainwright totaling approximately \$16,000 or 2.2% of the gross proceeds and amortized approximately \$23,000 of deferred accounting, legal and regulatory costs resulting in a net amount of approximately \$682,000 that has been recorded as equity in the Consolidated Balance Sheets. During the year ended December 31, 2017 the Company also incurred approximately \$34,000 in additional accounting, legal, and regulatory costs associated with the ATM Program that were included in “General and administrative costs” in the Consolidated Statement of Operations and Comprehensive Loss.

Equity Incentive Plans

Under the Company’s Amended and Restated 2009 Equity Incentive Plan (the “Equity Plan”) awards of the Company’s common stock may be made to officers, directors, employees, consultants and agents of the Company and its subsidiaries. The Company recognizes stock-based compensation costs using a graded vesting attribution method whereby costs are recognized over the requisite service period for each separately vesting portion of the award.

The following table summarizes the status of the Company’s restricted stock grants issued under the Equity Plan at December 31, 2018 and 2017 and changes during the years then ended:

| The Year Ended December 31, |          |  |          |
|-----------------------------|----------|--|----------|
| 2018                        | 2017     |  |          |
|                             | Weighted |  | Weighted |
|                             | Average  |  | Average  |
|                             | Grant    |  |          |

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|                                       | Number of | Date Fair | Number of | Grant Date |
|---------------------------------------|-----------|-----------|-----------|------------|
| Restricted Stock Grants               | Shares    | Value Per | Shares    | Fair Value |
|                                       |           | Share     |           | Per Share  |
| Outstanding at beginning of period    | 203,334   | \$ 0.55   | 100,000   | \$ 0.63    |
| Granted during the period             | 280,000   | 0.37      | 200,000   | 0.53       |
| Restrictions lifted during the period | (143,333) | 0.44      | (96,666)  | 0.60       |
| Forfeited during the period           | —         | —         | —         | —          |
| Outstanding at end of period          | 340,001   | \$ 0.45   | 203,334   | \$ 0.55    |

During the year ended December 31, 2018 the Company recognized approximately \$0.1 million of compensation expense related to the restricted stock grants. The Company expects to recognize additional compensation expense related to these awards of approximately \$0.1 million over the next 24 months. During the year ended December 31, 2018, 280,000 shares were granted to six employees, with one third of the grants vesting on the grant date and the remaining shares vesting equally on the first and second anniversaries of the grant date. In addition to the vesting of one third of the shares granted in 2018, restrictions were lifted on 50,000 shares granted to an employee in a prior year.

During the year ended December 31, 2017 the Company recognized approximately \$0.1 million of compensation expense related to the restricted stock grants. During the year ended December 31, 2017, 200,000 shares were granted to two employees, with 50,000 shares of one grant vesting on the grant date and the remaining shares vesting equally on the

F-30

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Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

first and second anniversaries of the grant date. The remaining grant vests ratably over three years. In addition, during 2017, restrictions were lifted on 46,666 shares granted to three employees in a prior year.

The following table summarizes the status of the Company's stock option grants issued under the Equity Plan at December 31, 2018 and 2017 and changes during the years then ended:

|                                    | The Year Ended December 31, |           |           |           |
|------------------------------------|-----------------------------|-----------|-----------|-----------|
|                                    | 2018                        |           | 2017      |           |
|                                    | Number of                   | Weighted  | Number of | Weighted  |
|                                    | Shares                      | Average   | Shares    | Average   |
|                                    |                             | Exercise  |           | Exercise  |
|                                    |                             | Price Per |           | Price Per |
|                                    |                             | Share     |           | Share     |
| Equity Plan Options                |                             |           |           |           |
| Outstanding at beginning of period | 40,310                      | \$ 8.05   | 95,810    | \$ 8.02   |
| Granted during the period          | —                           | —         | —         | —         |
| Forfeited or expired during period | (10,000)                    | \$ 8.00   | (55,500)  | 8.00      |
| Exercised during period            | —                           | —         | —         | —         |
| Outstanding at end of period       | 30,310                      | \$ 8.06   | 40,310    | \$ 8.05   |
| Exercisable at end of period       | 30,310                      | \$ 8.06   | 40,310    | \$ 8.05   |
| Granted and vested                 | 30,310                      | \$ 8.06   | 40,310    | \$ 8.05   |

The Company does not expect to record any additional expense related to these options.

Also, pursuant to the Equity Plan, the Company's Board of Directors adopted the Non-Employee Director's Deferred Compensation and Equity Award Plan (the "Deferred Compensation Plan"). Pursuant to the Deferred Compensation Plan the non-employee directors receive a portion of their compensation in the form of Restricted Stock Units ("RSUs") issued under the Equity Plan. The RSUs vest on the first anniversary of the grant and each vested RSU entitles the director to receive one unrestricted share of common stock upon the termination of the director's board service.

The following table summarizes the status of the RSU grants issued under the Deferred Compensation Plan at December 31, 2018 and 2017 and changes during the years then ended:

|                                       | The Year Ended December 31, |                                                                 |                     |                                                              |
|---------------------------------------|-----------------------------|-----------------------------------------------------------------|---------------------|--------------------------------------------------------------|
|                                       | 2018                        |                                                                 | 2017                |                                                              |
|                                       |                             | Weighted<br>Average<br>Grant<br>Date Fair<br>Value Per<br>Share |                     | Weighted<br>Average<br>Grant Date<br>Fair Value<br>Per Share |
| Restricted Stock Units                | Number of<br>Shares         |                                                                 | Number of<br>Shares |                                                              |
| Outstanding at beginning of period    | 1,887,317                   | \$ 1.16                                                         | 1,607,317           | \$ 1.28                                                      |
| Granted during the period             | 600,000                     | 0.42                                                            | 280,000             | 0.48                                                         |
| Restrictions lifted during the period | (257,279)                   | 1.44                                                            | —                   | —                                                            |
| Forfeited during the period           | —                           | —                                                               | —                   | —                                                            |
| Outstanding at end of period          | 2,230,038                   | \$ 0.93                                                         | 1,887,317           | \$ 1.16                                                      |

For the years ended December 31, 2018 and 2017 the Company recognized approximately \$0.2 million and \$0.1 million of compensation expense, respectively related to the RSU grants. During 2018, 100,000 RSUs were granted to each of the six board members. During 2017, 40,000 RSUs were granted to each of the seven board members. Restrictions lifted on 257,279 RSU shares during 2018 relate to the retirement of a member of the Company's Board of Directors during

F-31

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Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

the year. The Company expects to recognize additional compensation expense related to the RSU grants of less than \$0.1 million over the next six months.

Key Employee Long-Term Incentive Plan

The KELTIP provides for the grant of units (“KELTIP Units”) to certain officers and key employees of the Company, which units will, once vested, entitle such officers and employees to receive an amount, in cash or in Company common stock issued pursuant to the Company’s Equity Plan, measured generally by the price of the Company’s common stock on the settlement date. KELTIP Units are not an actual equity interest in the Company and are solely unfunded and unsecured obligations of the Company that are not transferable and do not provide the holder with any stockholder rights. Payment of the settlement amount of vested KELTIP Units is deferred generally until the earlier of a change of control of the Company or the date the grantee ceases to serve as an officer or employee of the Company. The KELTIP Units are recorded as a liability, included in “Accounts payable and other accrued liabilities” in the Consolidated Balance Sheets (Note 10).

During the year ended December 31, 2018 the Company awarded 600,000 KELTIP Units to two officers of the Company and recorded approximately \$0.3 million of compensation expense, included in “Stock based compensation” in the Consolidated Statement of Operations and Comprehensive Loss. At December 31, 2018 the KELTIP Units were marked-to-market and the Company recognized approximately a \$0.3 million reduction of compensation expense for the year ended December 31, 2018. At December 31, 2018 1,620,000 KELTIP Units were outstanding.

During the year ended December 31, 2017 the Company awarded 435,000 KELTIP Units to two officers of the Company and recorded approximately \$0.2 million of compensation expense, included in “Stock based compensation” in the Consolidated Statement of Operations and Comprehensive Loss. At December 31, 2017, the KELTIP Units were marked-to-market and the Company recognized approximately a \$0.1 million reduction of compensation expense for the year ended December 31, 2017. At December 31, 2017 1,020,000 KELTIP Units were outstanding.

Common stock warrants

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The following table summarizes the status of the Company's common stock warrants at December 31, 2018 and December 31, 2017, and the changes during the years then ended:

|                                    | The Year Ended December 31,<br>2018 |                                                    | 2017                              |                                                    |
|------------------------------------|-------------------------------------|----------------------------------------------------|-----------------------------------|----------------------------------------------------|
|                                    | Number of<br>Underlying<br>Shares   | Weighted<br>Average Exercise<br>Price Per<br>Share | Number of<br>Underlying<br>Shares | Weighted<br>Average Exercise<br>Price Per<br>Share |
| Common Stock Warrants              |                                     |                                                    |                                   |                                                    |
| Outstanding at beginning of period | 11,478,172                          | \$ 0.81                                            | 17,578,950                        | \$ 2.17                                            |
| Granted during period              | —                                   | —                                                  | —                                 | —                                                  |
| Dilution adjustment                | 39,524                              | 0.87                                               | 157,302                           | —                                                  |
| Expired during period              | —                                   | —                                                  | (6,258,080)                       | 4.62                                               |
| Exercised during period            | —                                   | —                                                  | —                                 | —                                                  |
| Outstanding at end of period       | 11,517,696                          | \$ 0.81                                            | 11,478,172                        | \$ 0.81                                            |

The warrants relate to prior registered offerings and private placements of the Company's stock. In September 2012, the Company closed on both a registered public offering and concurrent private placement with Sentient in which it

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

sold units, consisting of one share of common stock and a five-year warrant to acquire one half of a share of common stock at an exercise price of \$8.42 per share. A total of 3,431,649 warrant shares were issued and became exercisable on March 20, 2013 and expired on September 19, 2017, five years from the date of issuance.

In September 2014 the Company closed on both a registered public offering and concurrent private placement with Sentient in which it sold units, consisting of one share of common stock and a five-year warrant to acquire one half of a share of common stock at an exercise price of \$1.21 per share. A total of 4,746,000 warrant shares were issued that became exercisable on March 11, 2015 and will expire on September 10, 2019, five years from the date of issuance.

In May 2016, the Company issued 8.0 million registered shares of common stock at a purchase price of \$0.50 per share in a registered direct offering (the "Offering") resulting in gross proceeds of \$4.0 million. In connection with the Offering, each investor received an unregistered warrant to purchase three quarters of a share of common stock for each share of common stock purchased. The resulting 6,000,000 warrant shares have an exercise price of \$0.75 per share, became exercisable on November 7, 2016 and will expire on November 6, 2021, five years from the initial exercise date.

The September 2012 and 2014 warrant agreements contain anti-dilution clauses that could result in a resetting of the warrant exercise price and the number of warrant shares outstanding in the event the Company were to issue additional shares of its common stock in a future transaction at an offering price lower than the current exercise price of the warrants. As a result of the subsequent issuance of the Company's common stock in separate transactions, including the conversion of the Senior Secured Convertible Note which the Company entered into in October 2015 to borrow \$5.0 million from Sentient, the Company's largest stockholder, the May 2016 Offering and private placement, the ATM Program, the issuance of shares to Hecla in August 2017 and the Registered Purchase Agreement with LPC (discussed above), the exercise price of the 2012 and 2014 warrants has been adjusted downward. As a result of these transactions, the number of shares of common stock issuable upon exercise of the September 2012 warrants, prior to their expiration on September 19, 2017, had increased from the original 3,431,649 shares to 6,258,080 shares (2,826,431 share increase) and the exercise price had been reduced from the original \$8.42 per share to \$4.62 per share. The number of shares of common stock issuable upon exercise of the September 2014 warrants has increased from the original 4,746,000 shares to 5,517,696 shares (771,696 share increase) and the exercise price has been reduced from the original \$1.21 per share to \$0.85 per share.

The May 2016 warrants are not subject to anti-dilution and the warrants are recorded as equity. The September 2012 warrants expired during 2017, and because of a change in accounting principle, the September 2014 warrants were

recorded in equity on the balance sheet at December 31, 2018 and December 31, 2017 (see Note 4).

#### 16. Revenue, Deferred Revenue and Related Costs

##### Oxide Plant Lease and Oxide Plant Lease Costs

For the year ended December 31, 2018 the Company recorded revenue of approximately \$7.2 million and related costs of approximately \$2.3 million associated with the lease of the Velardeña Properties oxide plant. The Company recognizes oxide plant fixed and variable lease fees as well as reimbursements for labor, utility and other costs as “Revenue: Oxide plant lease” in the Consolidated Statements of Operations and Comprehensive Loss following the guidance of ASC 606 regarding the income statement characterization of reimbursements received for certain expenses incurred by the Company in performing its obligations under the lease and reporting revenue gross as a principal versus net as an agent. ASC 606 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 reimbursed direct labor and utility costs are reported as “Oxide plant lease costs” in the Consolidated

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

Statements of Operations and Comprehensive Loss. The Company recognizes lease fees during the period the fees are earned per the terms of the lease. The oxide plant lease revenue includes a minimum fixed fee of \$125,000 per month that is not dependent on tonnes processed. The monthly fixed fee remains payable for as long as the lease is in effect.

On August 2, 2017, the Company granted Hecla an option to extend the oxide plant 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 upfront cash payment and the purchase of \$1.0 million, or approximately 1.8 million shares, of the Company’s common stock, issued at par at a price of \$0.55 per share, based on an undiscounted 30-day volume weighted average stock price. The option and lease extension were memorialized in (i) an Option Agreement dated August 2, 2017 among the Company and Hecla Mining Company (the “Option Agreement”), and (ii) a Second Amendment to Master Agreement and Lease Agreement dated August 2, 2017 among Minera William S.A. de C.V., an indirect subsidiary of the Company, and Minera Hecla S.A. de C.V., an indirect subsidiary of Hecla Mining Company (the “Second Amendment”). Under the Second Amendment, Hecla had an option to extend the lease to December 31, 2020 by exercising the option no later than October 3, 2018. On October 1, 2018 Hecla exercised the Second Amendment option and extended the lease to December 31, 2020. 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. Pursuant to the Second Amendment, Hecla has 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 the Company decides to use the oxide plant for its own purposes before December 31, 2020.

The Company will recognize the \$1.0 million of income from granting the option over the expected life of the lease from August 2, 2017 through December 31, 2020 on a straight-line basis, including such income in “Revenue: Oxide plant lease” in the Consolidated Statements of Operations and Comprehensive Loss. During the year ended December 31, 2018 the company recognized approximately \$0.3 million of amortized income related to the upfront cash payment, included in “Revenue: Oxide plant lease” in the Consolidated Statements of Operations and Comprehensive Loss. As of December 31, 2018, the unamortized portion of the lease option totaled approximately \$0.6 million recorded as short and long term “Deferred revenue” on the Consolidated Balance Sheets.

For the year ended December 31, 2017 the Company recorded revenue of approximately \$6.7 million and related costs of approximately \$2.2 million associated with the lease of the Velardeña Properties oxide plant.

#### 17. Interest and Other Income

For the year ended December 31, 2018 the Company recorded approximately \$0.1 million of interest and other income, primarily related to mark-to-market gains on short term investments Note 5.

For the year ended December 31, 2017 the Company had only a nominal amount of interest and other income, primarily related to interest on amounts receivable from the sale of mining equipment as discussed in Note 9.

Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

## 18.Cash flow information

The following table reconciles net loss for the period to cash used in operations:

|                                                                             | Year Ended December<br>31,<br>2018                      2017<br>(in thousands) |            |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------|
| Cash flows from operating activities:                                       |                                                                                |            |
| Net loss                                                                    | \$ (1,945)                                                                     | \$ (3,892) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                                                                |            |
| Depreciation and amortization                                               | 1,171                                                                          | 952        |
| Accretion of asset retirement obligation                                    | 163                                                                            | 196        |
| Gain on trading securities                                                  | (92)                                                                           | —          |
| Asset write off                                                             | 13                                                                             | —          |
| Gain on reduction of asset retirement obligation                            | —                                                                              | (56)       |
| Gain on sale of assets                                                      | (5,144)                                                                        | (608)      |
| Stock compensation                                                          | 226                                                                            | 296        |
| Changes in operating assets and liabilities:                                |                                                                                |            |
| Increase (decrease) in lease receivable                                     | (167)                                                                          | 683        |
| Increase in prepaid expenses and other assets                               | (10)                                                                           | (142)      |
| Decrease in inventories                                                     | 13                                                                             | 3          |
| Decrease (increase) in value added tax recoverable, net                     | 127                                                                            | (149)      |
| (Decrease) increase in deferred revenue                                     | (292)                                                                          | 892        |
| Increase (decrease) in reclamation liability                                | 24                                                                             | (8)        |
| Increase in accounts payable and accrued liabilities                        | 236                                                                            | 226        |
| Decrease in deferred leasehold payments                                     | (34)                                                                           | (23)       |
| Net cash used in operating activities                                       | \$ (5,711)                                                                     | \$ (1,630) |

The Company did not make any cash payments for interest or income taxes during the years ended December 31, 2018 and 2017.

## 19.Commitments and Contingencies

## Leases and Purchase Commitments

The Company has non-cancelable operating lease commitments as follows:

|                                          | 2019   | 2020   | 2021   | 2022   | 2023   | Thereafter |
|------------------------------------------|--------|--------|--------|--------|--------|------------|
| El Quevar mining concessions (estimated) | \$ 60  | \$ 60  | \$ 60  | \$ 60  | \$ 60  | \$ —       |
| Velardeña mining concessions (estimated) | \$ 80  | \$ 80  | \$ 80  | \$ 80  | \$ 80  | \$ —       |
| Office space                             | \$ 224 | \$ 157 | \$ 160 | \$ 163 | \$ 166 | \$ 154     |

The Company is required to make payments to the Argentine government to maintain its rights to the El Quevar mining concessions. The Company has made such payments totaling approximately \$57,000 and \$111,000 for the years ended December 31, 2018 and 2017, respectively.

F-35

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Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

The Company is required to pay concession holding fees to the Mexican government to maintain its rights to the Velardeña Properties mining concessions. During the years ended December 31, 2018 and 2017 the Company made such payments totaling approximately \$78,000 and \$69,000 respectively, and annual payments under its surface right agreement with the local ejido of approximately \$33,000.

The Company has office leases for its corporate headquarters in Golden, Colorado, as well as for its Velardeña Properties offices in Mexico, and exploration offices in Mexico and Argentina. The lease for the corporate headquarters office space was renegotiated and extended during the first quarter 2019. The new lease reflects an approximately 45% reduction in space and an approximately 45% reduction in cost beginning April 1, 2019. The new lease expires November 30, 2024. Payments associated with the corporate headquarters lease were recorded to rent expense by the Company in the amounts of \$237,000 and \$226,000 for the years ended December 31, 2018 and 2017, respectively.

The Company cannot currently estimate the life of the Velardeña Properties or El Quevar project. The table above assumes that no annual maintenance payments will be made more than five years after December 31, 2018. If the Company continues mining and processing or evaluations of restart at the Velardeña Properties beyond five years, the Company expects that it would make annual maintenance payments of approximately \$80,000 per year for the life of the Velardeña mine. If the Company continues to evaluate development opportunities at the El Quevar project, the Company expects that it would make annual maintenance payments of approximately \$60,000 per year for the life of the El Quevar mine.

Payments associated with other exploration concessions the Company owns are not included because the Company has not completed exploration work on these concessions. Exploration success is historically low and the Company has the right to terminate the payments and release the concessions at any time.

Contingencies

No loss contingencies were recorded at December 31, 2018 and December 31, 2017.

## 20.Foreign Currency

The Company conducts exploration and mining activities primarily in Mexico and Argentina, and gains and losses on foreign currency transactions are related to those activities. The Company's functional currency is the U.S. dollar but certain transactions are conducted in the local currencies resulting in foreign currency transaction gains or losses.

## 21.Segment Information

The Company's sole activity is the mining, construction and exploration of mineral properties containing precious metals. The Company's reportable segments are based upon the Company's revenue producing activities and cash consuming activities. The Company reports two segments, one for its Velardeña Properties in Mexico and the other comprised of non-revenue producing activities including exploration, construction and general and administrative activities. Intercompany revenue and expense amounts have been eliminated within each segment in order to report on

F-36

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Table of Contents

## GOLDEN MINERALS COMPANY

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

(Expressed in United States dollars)

the basis that management uses internally for evaluating segment performance. The financial information relating to the Company's segments is as follows:

| The Year ended<br>December 31, 2018                       | Revenue  | Costs<br>Applicable<br>to Sales | Depreciation,<br>Depletion and<br>Amortization Expense<br>(in thousands) | Exploration, El<br>Quevar,<br>Velardeña and<br>Administrative | Pre-Tax<br>(Income)/Loss | Total Assets | Capital<br>Expenditures |
|-----------------------------------------------------------|----------|---------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------|--------------|-------------------------|
|                                                           |          |                                 |                                                                          |                                                               |                          |              |                         |
| Velardeña Properties<br>Corporate,<br>Exploration & Other | \$ 7,217 | \$ 2,289                        | \$ 816                                                                   | \$ 2,362                                                      | \$ (1,320)               | \$ 5,699     | \$ 79                   |
|                                                           | —        | —                               | 355                                                                      | 8,057                                                         | 3,252                    | 6,945        | 73                      |
|                                                           | \$ 7,217 | \$ 2,289                        | \$ 1,171                                                                 | \$ 10,419                                                     | \$ 1,932                 | \$ 12,644    | \$ 152                  |
| The Year ended<br>December 31, 2017                       |          |                                 |                                                                          |                                                               |                          |              |                         |
| Velardeña Properties<br>Corporate,<br>Exploration & Other | \$ 6,691 | \$ 2,189                        | \$ 584                                                                   | \$ 2,089                                                      | \$ (3,330)               | \$ 6,406     | \$ 79                   |
|                                                           | —        | —                               | 368                                                                      | 6,925                                                         | 7,209                    | 6,671        | 2                       |
|                                                           | \$ 6,691 | \$ 2,189                        | \$ 952                                                                   | \$ 9,014                                                      | \$ 3,879                 | \$ 13,077    | \$ 81                   |

All of the revenue for the two years presented was from the Company's Velardeña Properties in Mexico (see Note 16) and was all attributable to the lease of the oxide plant.

## 22.Related Party Transactions

The following sets forth information regarding transactions between the Company (and its subsidiaries) and its officers, directors and significant stockholders.

## Sale of Equipment:

In August 2016, the Company sold certain mining equipment to Minera Indé, an indirect subsidiary of Sentient, for \$687,000 (see Note 9), in a transaction approved by the Company's Audit Committee and Board of Directors. At December 31, 2018, Sentient, through the Sentient executive funds, holds approximately 44% of the Company's 95.6 million shares of issued and outstanding common stock. The equipment sold was excess equipment held at the Company's Velardeña Properties that the Company did not expect to use. The Company used a third party consultant with experience in the used mining equipment market in Mexico to determine a fair value. The Company believes 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. The Company received 10% of the sales price at the closing of the sale in August 2016, with the remainder, 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 on the sale of the additional equipment, included in "Other operating income" in the accompanying 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.

Table of Contents

GOLDEN MINERALS COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Expressed in United States dollars)

Administrative Services:

Beginning in August 2016, the Company began providing limited accounting and other administrative services to Minera Indé, an indirect subsidiary of Sentient. The services are provided locally in Mexico by the administrative staff at the Company's Velardeña Properties. The Company charges Minera Indé \$15,000 per month for the services, which provides reimbursement to the Company for its costs incurred plus a small profit margin. Amounts received under the arrangement reduce costs incurred for the care and maintenance of the Velardeña Properties and allows the Company to maintain a larger more experienced staff at the Velardeña Properties to support the oxide plant lease and potential future mining or processing activities. The Company's Board of Directors and Audit Committee approved the agreement. For the years ended December 31, 2018 and 2017 the Company charged Minera Indé approximately \$180,000 for services, offsetting costs that are recorded in "Velardeña shutdown and care and maintenance" in the Consolidated Statements of Operations and Comprehensive Loss.