Patagonia Gold Corp.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the Three and Nine Months Ended September 30, 2022 and 2021

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

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NOTICE TO READER

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

Patagonia Gold Corp.
Condensed Interim Consolidated Statements of Financial Position
Unaudited – See Notice to Reader
(Stated in thousands of U.S. dollars)

	Note		September 30, 2022		December 31, 2021
Current assets					
Cash	21	$	442	$	291
Receivables	11, 21		1,780		2,512
Inventories	5		4,309		3,759
Total current assets			6,531		6,562
Non-current assets					
Mineral properties	6		14,975		16,112
Mining rights	8		15,996		17,145
Property, plant and equipment	10		11,122		12,475
Goodwill			4,009		4,009
Other financial assets	9, 21		8		15
Other receivables	12, 21		1,683		1,421
Total non-current assets			47,793		51,177
Total assets		$	54,324	$	57,739
Current liabilities					
Bank indebtedness	13	$	12,907	$	6,706
Accounts payable and accrued liabilities	14, 19, 21		5,759		6,859
Accounts payable with related parties	14, 19, 21		274		208
Loan payable and current portion of long-term debt	15, 19, 21		345		517
Total current liabilities			19,285		14,290
Non-current liabilities					
Long-term debt	16, 21		16,131		255
Long-term debt with related parties	16, 19, 21		-		15,507
Reclamation and remediation obligations	7		5,501		6,188
Deferred tax liabilities			2,909		3,795
Other long-term payables			-		8
Total non-current liabilities			24,541		25,753
Total liabilities			43,826		40,043
Shareholders' equity					
Capital stock	18		11,244		11,244
Contributed surplus			189,942		189,677
Accumulated deficit			(207,075)		(201,710)
Accumulated other comprehensive income			18,016		19,877
Total shareholders' equity attributable to the parent			12,127		19,088
Non-controlling interest			(1,629)		(1,392)
Total shareholders' equity			10,498		17,696
Total liabilities and shareholders' equity		$	54,324	$	57,739

Going concern (note 3)
Subsequent events (note 26)

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

Approved on Behalf of the Board of Directors

Signed "Christopher van Tienhoven" , Director   Signed "Cristian Lopez Saubidet" , Director

Patagonia Gold Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2022 and 2021
Unaudited – See Notice to Reader
(Stated in thousands of U.S. dollars)

	Note	Three months ended September 30, 2022 $'000	Three months ended September 30, 2021 $'000	Nine months ended September 30, 2022 $'000	Nine months ended September 30, 2021 $'000
Revenue		$ 2,461	$ 5,758	$ 10,348	$ 14,233
Cost of sales	5	(3,790)	(4,278)	(11,545)	(10,061)
Gross profit (loss)		(1,329)	1,480	(1,197)	4,172
Operating expenses:					
Exploration expenses		(921)	(1,432)	(4,377)	(3,204)
Repair and maintenance		(117)	(126)	(352)	(514)
Administrative expenses	20	(1,726)	(1,227)	(5,472)	(4,188)
Share-based payments expense	18	(87)	(90)	(265)	(272)
Interest expense		(983)	(377)	(2,425)	(959)
Total operating expense		(3,834)	(3,252)	(12,891)	(9,137)
Other income/(expenses)					
Interest income		47	107	157	186
Gain/(loss) on foreign exchange		1,097	174	3,150	(325)
Accretion expense	7	(118)	(10)	(245)	(22)
Other income	22	2,579	383	5,152	756
Total other income/(expenses)		3,605	654	8,214	595
Net loss – before income taxes		(1,558)	(1,118)	(5,874)	(4,370)
Income tax benefit (expense)		(503)	(594)	272	(205)
Net loss		$ (2,061)	$ (1,712)	$ (5,602)	$ (4,575)
Attributable to non-controlling interest		(147)	(60)	(237)	(96)
Attributable to equity share owners of the parent		(1,914)	(1,652)	(5,365)	(4,479)
		(2,061)	(1,712)	(5,602)	(4,575)
Other comprehensive income (loss) net of tax					
Change in fair value of investment	9	(2)	(4)	(7)	(2)
Foreign currency translation adjustment		(921)	(656)	(1,854)	133
Total other comprehensive income (loss)		(923)	(660)	(1,861)	131
Total comprehensive income (loss)		$ (2,984)	$ (2,372)	$ (7,463)	$ (4,444)
Weighted average number of common shares outstanding – basic and diluted	17	466,566,441	467,116,441	466,566,441	441,094,925
Net loss per share – basic and diluted	17	$ (0.004)	$ (0.004)	$ (0.012)	$ (0.010)

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

Patagonia Gold Corp.
Condensed Interim Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2022 and 2021
Unaudited – See Notice to Reader
(Stated in thousands of U.S. dollars)

	Capital stock	Accumulated deficit	Accumulated other comprehensive income	Contributed surplus	Total Attributable to parent	Non-controlling interest	Total
Balance - January 1, 2021	7,320	(190,541)	19,744	186,177	22,700	(1,295)	21,405
Net loss	-	(4,479)	-	-	(4,479)	(96)	(4,575)
Other comprehensive income	-	-	131	-	131	-	131
Shares and warrants issued (note 18)	4,270	-	-	3,138	7,408	-	7,408
Share and warrant issuance costs (note 18)	(188)	-	-	(138)	(326)	-	(326)
Agent compensation options issued (note 18)	(138)	-	-	138	-	-	-
Share based payments (note 18)	-	-	-	272	272	-	272
Balance – September 30, 2021	11,264	(195,020)	19,875	189,587	25,706	(1,391)	24,315
Balance - January 1, 2022	11,244	(201,710)	19,877	189,677	19,088	(1,392)	17,696
Net loss	-	(5,365)	-	-	(5,365)	(237)	(5,602)
Other comprehensive loss	-	-	(1,861)	-	(1,861)	-	(1,861)
Share based payments (note 18)	-	-	-	265	265	-	265
Balance – September 30, 2022	11,244	(207,075)	18,016	189,942	12,127	(1,629)	10,498

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

Patagonia Gold Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
Unaudited – See Notice to Reader
(Stated in thousands of U.S. dollars)

	Note	2022	2021
Cash flow from operating activities			
Net loss		$ (5,602)	$ (4,575)
Items not affecting cash			
Depreciation of property, plant and equipment	10	1,318	1,817
Depletion of mineral properties	6	1,240	684
Amortization of mining rights	8	75	75
Share based payment expense	18	265	272
Provisions		(932)	657
Interest payable with related party		-	522
Interest payable		522	-
Write-down of inventory	5	1,188	670
Accretion expense		245	22
Deferred tax expense/(benefit)		(272)	205
Net change in non-cash working capital items			
(Increase)/decrease in receivables		470	(349)
(Increase)/decrease in inventory		(1,516)	(501)
(Increase)/decrease in other financial assets		2	5
Increase/(decrease) in accounts payable and accrued liabilities		(1,665)	2,322
Increase/(decrease) in accounts payable and accrued liabilities with related parties		66	53
Increase/(decrease) in provision		(8)	(23)
Increase/(decrease) in transaction taxes payable		(49)	(44)
Net cash used in operating activities		(4,653)	1,812
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(187)	(1,244)
Purchase of mineral property	6	(103)	(2,729)
Proceeds from disposal		-	1
Net cash used in investing activities		(290)	(3,972)
Cash flow from financing activities			
Bank indebtedness (repayment)		6,201	(4,992)
Repayment of loans		(325)	(250)
Shares and warrants issued	18	-	7,408
Share and warrant issuance costs	18	-	(326)
Net cash provided by financing activities		5,876	1,840
Net increase (decrease) in cash		933	(320)
Effect of foreign exchange on cash		(782)	93
Cash, beginning of period		291	819
Cash, end of the period		$ 442	$ 592
Taxes paid		(49)	(44)
Interest paid		(1,712)	(345)
Supplemental non-cash information			
Change in value of investments	9	(7)	(2)

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

(Stated in thousands of U.S. dollars unless otherwise stated)

1. Nature of business

On July 24, 2019, Patagonia Gold Corp. (PGDC.TSXV – "the Company" or "Patagonia") [formerly Hunt Mining Corp ("Hunt", or "Hunt Mining")] and Patagonia Gold Limited ("PGL") [formerly Patagonia Gold PLC ("PGP")] completed a reverse acquisition (or reverse takeover, the "RTO") resulting in Hunt acquiring all issued shares of common stock of PGP in exchange for common shares of Hunt on the basis of 10.76 Hunt shares for each PGP share. Hunt issued 254,355,192 common shares to the shareholders of PGP representing an ownership interest of approximately 80%. The operating name of Hunt Mining Corp. was changed to Patagonia Gold Corp.

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

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

Corporation	Incorporation	Percentage ownership	Functional currency	Business purpose
Patagonia Gold S.A. ("PGSA")	Argentina	95	US$	Production and Exploration Stage
Minera Minamalu S.A.	Argentina	100	US$	Exploration Stage
Huemules S.A.	Argentina	100	US$	Exploration Stage
Leleque Exploración S.A.	Argentina	100	US$	Exploration Stage
Patagonia Gold Limited (formerly Patagonia Gold PLC)	UK	100	GBP$	Holding
Minera Aquiline S.A.U.	Argentina	100	US$	Exploration Stage
Patagonia Gold Canada Inc.	Canada	100	CAD$	Holding
Patagonia Gold Chile S.C.M.	Chile	100	CH$	Exploration Stage
Ganadera Patagonia S.R.L.	Argentina	100	US$	Land Holding
1272680 B.C. Ltd (formerly 1494716 Alberta Ltd.)	Canada	100	CAD$	Nominee Shareholder

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

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

2. Basis of presentation

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and do not include all of the information required for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021.

Prior to the reverse acquisition, Patagonia Gold Limited prepared its December 31, 2018 annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Upon the reverse acquisition with Patagonia Gold Corp, Patagonia Gold Limited became the ongoing entity for accounting purposes and Patagonia Gold Limited had to switch to reporting under US GAAP as Patagonia Gold Corp. is a registrant with the U.S. Securities and Exchange Commission ("SEC"). The Company prepared its interim financial statements for the three months ended March 31, 2020 in accordance with US GAAP. Effective June 30, 2020, the Company obtained "foreign private issuer" status in

accordance with SEC guidelines and became eligible to satisfy its reporting requirements using IFRS. As such, the Company has prepared these condensed interim consolidated financial statements in accordance with IFRS as issued by IASB.
The condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 23, 2022.

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

The Company's presentation currency is the US Dollar.

3. Going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. During the three and nine months ended September 30, 2022, the Company had a net loss of $2,061 (2021 - $1,712) and $5,602 (2021 - $4,575) respectively. As at September 30, 2022, the Company has negative working capital of $12,754 (December 31, 2021 - $7,728) and had an accumulated deficit of $207,075 (December 31, 2021 - $201,710). These aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon generating positive cash flows from operations as well as obtaining debt and equity financing. However, there can be no assurance that the steps management is taking will be successful. The accompanying consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could have a material impact on the consolidated financial statements.

4. Significant accounting policies and critical accounting judgements and estimates

(a) Significant accounting policies

Except as noted below, these condensed interim consolidated financial statements follow the same accounting policies as the Company's annual audited consolidated financial statements for the year ended December 31, 2021. For a complete list of accounting policies applied by the Company, see note 4 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

New accounting standards issued effective January 1, 2022

The IASB issued an amendment to IAS 16, Property, Plant and Equipment, to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment requires companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The Company adopted the amendment effective January 1, 2022, which did not have any impact on the condensed interim consolidated financial statements.

New accounting standards issued but not yet effective

The IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

(Stated in thousands of U.S. dollars unless otherwise stated)

The Company will evaluate the impact, if any, on its consolidated financial statements prior to the effective date of January 1, 2023.

(b) Critical accounting judgements and estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2021.

5. Inventories

	September 30, 2022 $'000	December 31, 2021 $'000
Gold held on carbon	$ 1,652	$ 1,669
Materials and supplies	2,657	2,090
	$ 4,309	$ 3,759

During the three and nine months ended September 30, 2022, the Company expensed $2,678 (2021 - $3,232) and $8,952 (2021 - $7,381) of inventories on the condensed interim consolidated statements of loss and comprehensive loss.

During the three and nine months ended September 30, 2022, the net realizable value of the inventory was less than the costs incurred in establishing the gold held on carbon and the Company recorded an inventory write down of $774 (2021 - $259) and $1,188 (2021 - $670) under cost of sales on the condensed interim consolidated statements of loss and comprehensive loss.

6. Mineral properties

	Mining assets $'000	Surface rights acquired $'000	Total $'000
Cost			
Balance – January 1, 2021	$ 24,123	$ 6,459	$ 30,582
Additions	2,951	-	2,951
Balance - December 31, 2021	$ 27,074	$ 6,459	$ 33,533
Additions	-	103	103
Disposal	(662)	-	(662)
Balance – September 30, 2022	$ 26,412	$ 6,562	$ 32,974
Depletion			
Balance - January 1, 2021	$ 13,752	$ 908	$ 14,660
Change for the period	1,272	-	1,272
Impairment	1,489	-	1,489
Balance - December 31, 2021	$ 16,513	$ 908	$ 17,421
Charge for the period	1,240	-	1,240
Disposal	(662)	-	(662)
Balance – September 30, 2022	$ 17,091	$ 908	$ 17,999
Net book value			
December 31, 2021	$ 10,561	$ 5,551	$ 16,112
September 30, 2022	$ 9,321	$ 5,654	$ 14,975

Trilogy Mining Corporation

In January 2016, Patagonia Gold Limited ("PGL") entered into an earn–in agreement with Trilogy Mining Corporation ("Trilogy") in relation to the San José Project in Uruguay. This was recognized within mining assets at a cost of $1,996. In December 2019, the Company announced the termination of its option agreement with Trilogy and in exchange received common shares of Trilogy, that will result in PGL owning 42.5% of the then issued and outstanding shares of Trilogy. In connection with the termination of the option agreement, the Company impaired $1,996 of the mining asset related to San José Project in Uruguay during the year ended December 31, 2019.

Lomada project

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

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

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

Cap-Oeste project

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

In February 2019, the Company reviewed the production profile for 2019 for Cap-Oeste. Given the expected lower production volumes, the Company made the decision to put Cap-Oeste on care and maintenance until a suitable solution to extract and process the high-grade underground resource from Cap-Oeste has been identified. Residual production continued at Cap-Oeste and the Company continued to capitalize costs under inventories.

Mina Angela

In September 2020, the Company entered into a definitive option agreement with Latin Metals Inc. which granted the Company an irrevocable option to acquire a 100% interest in the Mina Angela property. Pursuant to the definitive agreement, the Company has paid $250 representing the first earn-in payment. The Company shall decide whether to exercise the option no later than six months from the date of the definitive agreement. If the Company elects to exercise the option, they shall pay the second earn-in payment of $250. A further and final payment of $500 is expected to be paid within 30 days of verification that the legal restrictions preventing development of mining activity in the Chubut Province and at the Mina Angela property have been lifted in such a manner that Patagonia has the ability to perform exploration and exploitation mining activities on the property. In addition, Latin Metals Inc. will be entitled to receive a 1.25% Net Smelter Royalty ("NSR") from future production. The Company has the right to repurchase half of the NSR for $1,000. On March 12, 2021, the Company exercised the option to acquire 100% interest in the Mina Angela property and paid the second earn-in payment of $250.

On December 15, 2021, the legislature of the Province of Chubut passed a bill to amend the provincial mining law to enable open pit mining within a given area that comprises the Gastre and Telsen Departments. This new law regarding mining zoning was subsequently promulgated on December 16, 2021 by the Chubut Governor. This newly approved law regarding mining zoning would have enabled the Company to advance the development of its mining concessions, including Mina Angela. However, on December 20, 2021, the Chubut Governor, sent a bill to the legislature of the Province of Chubut to retract the recent amendments as a result of the violent demonstrations that occurred soon after such law was enacted. This bill, which revoked the amendments regarding mining zoning, was passed by the legislature of the Province of Chubut on December 21, 2021.

Surface rights

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

There is a back in right granted to the sellers under Estancia El Rincon's title deed whereby the Company irrevocably committed to resell the estancia to its former owner in the event that two consecutive years elapse without mining activities. Current activity on this property includes the Lomada Project.

Mina Martha project

On May 6, 2016, the Company acquired the assets of the Mina Martha project from Coeur Mining Inc. ("Coeur"). The Mina Martha project consists of land, mineral rights, a mine camp, offices, a warehouse, maintenance shop, mining facilities including a flotation mill and a tailings retention facility.

La Josefina project

In March 2007, the Company acquired the exploration and development rights to the La Josefina project from Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz") the Santa Cruz provincial mining and petroleum company.

In July 2007, the Company entered into an agreement (subsequently amended) with Fomicruz which provides that, in the event that a positive feasibility study is completed on the La Josefina property, a Joint Venture Corporation ("JV Corporation") would be formed by the Company and Fomicruz. The Company would own 81% of the joint venture company and Fomicruz would own the remaining 19%. Fomicruz has the option to earn up to a 49% participating interest in the JV Corporation by reimbursing the Company an equivalent amount, up to 49%, of the exploration investment made by the Company. The Company has the right to buy back any increase in Fomicruz's ownership interest in the JV Corporation at a purchase price of $0.2 million per each percentage interest owned by Fomicruz down to its initial ownership interest of 19%; the Company can also purchase 10% of the Fomicruz's initial 19% JV Corporation ownership interest by negotiating a purchase price with Fomicruz. Under the agreement, the Company has until the end of 2019 to complete cumulative exploration expenditures of $18 million and determine if it will enter into production on the property. As at December 31, 2018, the Company had incurred approximately $20 million and is in current discussions with Fomicruz to develop a plan for production. In October 2019, the agreement was extended until April 30, 2021 and may be extended for an additional one-year term. The agreement was terminated by mutual consent of the Company and Fomicruz in July 2020 and the Company has renegotiated new terms and conditions with Fomicruz for the exploration and exploitation of the La Josefina and La Valenciana properties and in December 2021, both parties entered into a new exploration agreement with an exploitation option for the following three projects: the La Josefina project, the La Valenciana project and a new and unexplored property, the Abril Project (the "Projects").

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

Homenaje and Nico Projects

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

(Stated in thousands of U.S. dollars unless otherwise stated)

Homenaje Project

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

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

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

Nico Project

Pursuant to the terms of the Transfer Agreement, Patagonia has acquired the Vendors' interest in the Nico Project in exchange for a 1.5% NSR royalty. If, by the end of third-year, the Nico Project has not been operated as a producing mine, or Patagonia has not produced and shipped minerals in commercial quantities (excluding bulk sampling or pilot plant operations, if any) from the Nico Project for a period of 30 consecutive days, Mirasol will have the right to regain full ownership of the Nico Project at no cost.

7. Reclamation and remediation obligations

The Company is legally required to perform reclamation on sites where environmental disturbance is caused by the development or on-going mining of a property to restore it to its original condition at the end of its useful life. In accordance with IFRS, the Company recognized the estimated fair value of that liability as an asset retirement obligation. As at September 30, 2022, the total amount of undiscounted cash flows required to settle the estimated obligation is $6,003 (December 31, 2021 - $6,366) which has been discounted using a weighted average risk-free rate of 3.85% (December 31, 2021 – 0.8%) and an inflation rate of 8.2% (December 31, 2021 – 7.04%).

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

	September 30, 2022 $'000	**December 31, 2021** $'000
Reclamation and remediation obligation - beginning of period	$ 6,188	$ 5,139
Change in estimate	(932)	983
Accretion expense	245	66
Reclamation and remediation obligation - end of period	$ 5,501	$ 6,188

The Company reassesses the cost of reclamation and remediation obligations periodically given new information regarding changes to the risk-free rate, inflation rate and undiscounted cash flow. During the three and nine months ended September 30, 2022 and year ended December 31, 2021, the change in estimate relates to revisions to the estimated discounted cashflow and inflation rates obligations.

(Stated in thousands of U.S. dollars unless otherwise stated)

8. Mining rights

	Fomicruz Agreement $'000	Minera Aquiline Argentina $'000	Total $'000
Balance – January 1, 2021	$ 3,088	$ 14,107	$ 17,195
Amortization	(100)	-	(100)
Exchange differences	-	50	50
Balance - December 31, 2021	$ 2,988	$ 14,157	$ 17,145
Amortization	(75)	-	(75)
Exchange differences	-	(1,074)	(1,074)
Balance – September 30, 2022	$ 2,913	$ 13,083	$ 15,996

Fomicruz Agreement

On October 14, 2011, Patagonia Gold, PGSA and Fomicruz entered into a definitive strategic partnership agreement in the form of a shareholders' agreement ("Fomicruz Agreement") to govern the affairs of PGSA and the relationship between the Company, PGSA and Fomicruz. Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA. The Fomicruz Agreement establishes the terms and conditions of the strategic partnership for the future development of certain PGSA mining properties in the Santa Cruz. The Company will fund 100% of all exploration expenditures on the PGSA properties to the pre-feasibility stage, with no dilution to Fomicruz. After feasibility stage is reached, Fomicruz is obliged to pay its 10% share of the funding incurred thereafter on the PGSA properties, plus annual interest at LIBOR +1% to the Company. Such debt and interest payments will be guaranteed by an assignment by Fomicruz of 50% of the future dividends otherwise payable to Fomicruz on its shares. The Company will manage the exploration and potential future development of the PGSA properties.

The mining rights acquired have been measured by reference to the estimated fair value of the equity interest given to Fomicruz. Management has estimated the fair value of the 10% interest in PGSA acquired by Fomicruz, on or about October 14, 2011 at $4 million. In determining this fair value estimate, management considered many factors including the net assets of PGSA and the illiquidity of the 10% interest. This amount has been recorded as an increase in the equity of PGSA and as a mining right asset. In these consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to $4 million.

Effective January 1, 2020, the Company's former subsidiary Cerro Cazador S.A merged with PGSA and as a result, Formicruz has a 4.7% interest in the newly merged entity.

Minera Aquiline Argentina Agreement

On January 31, 2018, Patagonia, through a wholly owned subsidiary (Patagonia Gold Canada Inc. "PGCAD"), acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline Argentina S.A. ("MASA"), a subsidiary of Pan American Silver Corporation. Total consideration for the acquisition amounted to $15 million. PGCAD has made the initial payment of $5 million on January 31, 2018 and the final payment of $10 million on legal completion on May 18, 2018.

This transaction was accounted for as an asset acquisition and the purchase consideration was allocated to Mining Rights at $14.6 million and other net assets at $0.4 million. These mining rights will be amortized on a unit-of-production method over the estimated period of economically recoverable resources once the project reaches the commercial production phase.

9. Other financial assets

The Company has short-term investments in equity securities which are recorded at fair value through other comprehensive income (loss). As at September 30, 2022, the fair value of the short-term investments is $8 (December 31, 2021 - $15).

(Stated in thousands of U.S. dollars unless otherwise stated)

10. Property, plant and equipment

	Plant $'000	Buildings $'000	Vehicles and equipment $'000	Improvements and advances $'000	Total $'000
Cost					
Balance – January 1, 2021	$ 15,440	$ 1,979	$ 23,270	$ 1,039	$ 41,728
Additions	1	-	585	1,253	1,839
Disposals	-	-	(84)	-	(84)
Transfers	36	-	20	(56)	-
Balance – December 31, 2021	$ 15,477	$ 1,979	$ 23,791	$ 2,236	$ 43,483
Additions	-	-	148	39	187
Transfers	-	-	801	(801)	-
Balance – September 30, 2022	$ 15,477	$ 1,979	$ 24,740	$ 1,474	$ 43,670
Accumulated depreciation					
Balance – January 1, 2021	$ 13,402	$ 362	$ 14,731	$ -	$ 28,495
Disposals	-	-	(83)	-	(83)
Depreciation for the period	281	161	2,154	-	2,596
Balance – December 31, 2021	$ 13,683	$ 523	$ 16,802	$ -	$ 31,008
Depreciation for the period	210	120	1,210	-	1,540
Balance – September 30, 2022	$ 13,893	$ 643	$ 18,012	$ -	$ 32,548
Net book value					
December 31, 2021	$ 1,794	$ 1,456	$ 6,989	$ 2,236	$ 12,475
September 30, 2022	$ 1,584	$ 1,336	$ 6,728	$ 1,474	$ 11,122

11. Receivables

	September 30, 2022 $'000	December 31, 2021 $'000
Receivable from sales	$ 38	$ 112
Recoverable value added tax ("VAT")	1,515	1,849
Other receivables	227	551
Total	$ 1,780	$ 2,512

(Stated in thousands of U.S. dollars unless otherwise stated)

12. Other receivables

	September 30, 2022 $'000	December 31, 2021 $'000
Recoverable value added tax ("VAT")	$ 1,226	$ 1,019
Other receivables	457	402
Total	$ 1,683	$ 1,421

On October 14, 2011, the Company, its subsidiary PGSA and Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz"), the Santa Cruz provincial mining and petroleum company, entered into an agreement in the form of a shareholders' agreement ("Fomicruz Agreement") to govern the affairs of PGSA and the relationship between the Company, PGSA and Fomicruz. Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA (subsequently reduced to 4.7% after a corporate reorganization whereby the Company's former subsidiary Cerro Cazador SA merged with PGSA to become one legal entity). The Fomicruz Agreement establishes the terms and conditions of the strategic partnership for the future development of certain PGSA mining properties in the Province. The Company will fund 100% of all exploration expenditures on the PGSA properties to the pre-feasibility stage, with no dilution to Fomicruz. After feasibility stage is reached, Fomicruz is obliged to pay its 10% share of the funding incurred thereafter on the PGSA properties, plus annual interest at LIBOR +1% to the Company. Such debt and interest payments will be guaranteed by an assignment by Fomicruz of 50% of the future dividends otherwise payable to Fomicruz on its shares.

Effective June 2020, Fomicruz and the Company agreed to terminate the Fomicruz Agreement, expressly stating that they have no mutual claims under it. PGSA, Minamalú and Fomicruz have assumed the commitment to enter into a new shareholders agreement within thirty days following the Shareholder's meeting of PGSA (the "Meeting") by virtue of which Minamalú becomes a shareholder of PGSA. As of the date of approval of these consolidated financial statements, the Meeting has not been held. During the year ended December 31, 2021, the Company recorded a write-down of $2,323 on the consolidated statements of loss and comprehensive loss for the recoverable costs from Fomicruz.

The remaining other receivables balance consists of tax receivables.

13. Bank indebtedness

	September 30, 2022 $'000	December 31, 2021 $'000
A credit facility with a limit of $8,900, maturity date of December 31, 2022 and interest rate of 2.50% plus base rate[1]	$ 8,833	$ 3,915
A credit facility with an Argentinian bank with a limit of $2,036 (300,000,000 Argentinian Peso), maturity date of November 27, 2022 and interest rate of 89%.	2,033	1,941
A credit facility with an Argentinian bank with a limit of $1,765 (260,000,000 Argentinian Peso), maturity date of December 7, 2022 and interest rate of 68%	1,702	850
A credit facility with an Argentinian bank with a limit of $399 (50,000,000 Argentinian Peso), maturity date of December 6, 2022 and interest rate of 76.5%	339	-
	$ 12,907	$ 6,706

1 - As at September 30, 2022, the interest rate was 3.5% (December 31, 2021 – 1.65%).

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

(Stated in thousands of U.S. dollars unless otherwise stated)

14. Accounts payable and accrued liabilities

	September 30, 2022 $'000	December 31, 2021 $'000
Trade accounts payable and accrued liabilities	$ 2,927	$ 4,207
Income tax	619	50
Other accruals[1]	2,213	2,602
Accounts payable to related parties (note 19)	274	208
Total	$ 6,033	$ 7,067

1 – As at September 30, 2022, other accruals consists of taxes payable of $1,479 (December 31, 2021 - $1,993) and accrued salaries of $734 (December 31, 2021 - $609).

15. Loan payable, lease payable and current portion of long-term debt

	September 30, 2022 $'000	December 31, 2021 $'000
Current portion of long-term debt (note 19)	$ 345	$ 508
Leases payable	-	9
Total	$ 345	$ 517

16. Long-term debt

	September 30, 2022 $'000	December 31, 2021 $'000
Loan secured by a letter of guarantee from the Company, at 5% interest per annum, due December 31, 2023[1] (note 19)	$ 13,961	$ 13,961
Loan secured by assets of the Company, at 5.75% interest per annum, due June 25, 2022	-	207
Loan secured by assets of the Company at 9% interest per annum, due January 31, 2024	447	556
Accrued interest on debt	2,068	1,546
	$ 16,476	$ 16,270
Less current portion	(345)	(508)
	$ 16,131	$ 15,762

1 - Subsequent to the period ended September 30, 2022, the loan facility was amended to increase the maximum amount of the loan from $15,000 to $20,000 and the interest rate was increased from 5% to 7.5%. Other than these changes, all other terms of the loan facility remain unchanged.

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

Year ending December 31,	
2022	118
2023	16,331
2024	27

(Stated in thousands of U.S. dollars unless otherwise stated)

17. Net loss per share

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

The net loss per share is as follows:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021
Net loss ($'000)	$ (2,061)	$ (1,712)
Weighted average number of common shares outstanding – basic and diluted	466,566,441	467,116,441
Net loss per share – basic and diluted	$ (0.004)	$ (0.004)

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Net loss ($'000)	$ (5,602)	$ (4,575)
Weighted average number of common shares outstanding – basic and diluted	466,566,441	441,094,925
Net loss per share – basic and diluted	$ (0.012)	$ (0.010)

18. Capital stock

Authorized:

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

Issued:

	Number of common shares outstanding	Amount $'000
Balance at January 1, 2021	363,030,378	$ 7,320
Shares issued in private placement	104,086,063	4,270
Share issuance costs	-	(326)
Share repurchased	(550,000)	(20)
Balance at December 31, 2021 and September 30, 2022	466,566,441	$ 11,244

Preferred shares are non-redeemable and non-transferrable with discretionary dividends and hence are classified as equity. Preferred shares shall be issued at a price of $0.30 per share and will not have voting rights. As at September 30, 2022 and December 31, 2021, there were no preferred shares issued by the Company.

Private placement

On March 10, 2021, the Company completed a private placement offering and raised gross proceeds of $7,408 (CAD $9,368) through the issuance of 104,086,063 units of the Company at a price of CAD $0.09 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of CAD $0.13 until March 10, 2024. Of the total gross proceeds of $7,408, $4,270 was allocated to common shares and $3,138 was allocated to warrants based on the relative fair value method using the share price at the time of the issuance and the Black-Scholes option pricing model.

In connection with the private placement, the Company incurred cash commissions and expenses of $326, of which $188 was allocated to common shares and $138 was allocated to warrants. The Company also issued 2,509,586 Agent compensation options which are exercisable for one unit of the Company at a price of CAD $0.09 per compensation option. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of CAD $0.13 until March 10, 2024. The fair value of the Agent compensation options on grant date was estimated to be $138 using the Black-Scholes option pricing model.

(Stated in thousands of U.S. dollars unless otherwise stated)

A director of the Company participated in the private placement and subscribed for a total of 57,777,777 units for gross proceeds of $4,112.

Normal Course Issuer Bid

On October 26, 2021, the Company announced that it has received approval from the TSXV of its Notice of Intention to Make a NCIB. Under the NCIB, the Company may purchase for cancellation up to 10,000,000 common shares (the "Shares") (representing approximately 2% of its 467,116,441 issued and outstanding common shares as of October 26, 2021 over a twelve (12) month period commencing on October 26, 2021.

During the year ended December 31, 2021, the Company repurchased 550,000 common shares under the NCIB for $20.

During the three and nine months ended September 30, 2022, the Company did not repurchase any shares under the NCIB.

Stock options

Under the Company's share option plan, and in accordance with TSX Venture Exchange requirements, the number of common shares reserved for issuance under the option plan shall not exceed 10% of the issued and outstanding common shares of the Company, have a maximum term of 5 years and vest at the discretion of the Board of Directors. In connection with the foregoing, the number of common shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding common shares; and (b) all consultants will not exceed 2% of the issued and outstanding common shares.

All equity-settled share-based payments are ultimately recognized as an expense in the consolidated statements of loss and comprehensive income (loss) with a corresponding credit to "Contributed Surplus". If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of options	Weighted Average Price (CAD)	Number of options	Weighted Average Price (CAD)
Balance, beginning of period	17,250,000	$ 0.118	17,250,000	$ 0.118
Granted	-	-	-	-
Balance, end of period	17,250,000	$ 0.118	17,250,000	$ 0.118

As at September 30, 2022, the following stock options were outstanding:

Exercise price (CAD)	Options vested	Options unvested	Total outstanding	Remaining contractual life (years)	Expiry date
$0.065	7,650,000	-	7,650,000	1.99	September 25, 2024
$0.160	6,400,000	3,200,000	9,600,000	2.87	August 13, 2025
	14,050,000	3,200,000	17,250,000	2.48	

During the three and nine months ended September 30, 2022, the Company recognized share-based payments expense of $87 (2021 - $90) and $265 (2021 - $272) respectively.

(Stated in thousands of U.S. dollars unless otherwise stated)

Agent compensation options

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of Agent compensation options	Weighted Average Price (CAD)	Number of Agent compensation options	Weighted Average Price (CAD)
Balance, beginning of period	2,509,586	$ 0.09	-	$ -
Issued	-	-	2,509,586	0.09
Balance, end of period	2,509,586	$ 0.09	2,509,586	$ 0.09

In connection with the private placement on March 10, 2021, the Company issued 2,509,586 Agent compensation options which are exercisable for one unit of the Company at a price of CAD $0.09 per Agent compensation option. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of CAD $0.13 until March 10, 2024. The fair value of the Agent compensation options on grant date was estimated to be $138. The fair value of the Agent compensation options was calculated using the Black-Scholes option pricing model and using the following assumptions:

Discount rate	0.25%
Expected volatility	140.69%
Expected life (years)	3
Expected dividend yield	0%
Unit price	CAD $ 0.09

As at September 30, 2022, the following Agent compensation options were outstanding:

Exercise price (CAD)	Number outstanding	Remaining Contractual Life (Years)	Expiry date
$0.09	2,509,586	1.44	March 10, 2024

Warrants

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of warrants	Weighted Average Price (CAD)	Number of warrants	Weighted Average Price (CAD)
Balance, beginning of period	104,086,063	$ 0.13	-	$ -
Issued	-	-	104,086,063	0.13
Balance, end of period	104,086,063	$ 0.13	104,086,063	$ 0.13

In connection with the March 10, 2021 private placement, the Company issued 104,086,063 common share purchase warrants. Each warrant entitles the holder thereof to purchase one common share at an exercise price of CAD $0.13 until March 10, 2024. The fair value of the warrants on grant date was estimated to be $5,441. The fair value of the warrants was calculated using the Black-Scholes option pricing model and using the following assumptions:

Discount rate	0.25%
Expected volatility	140.69%
Expected life (years)	3
Expected dividend yield	0%
Stock price	CAD $ 0.09

As at September 30, 2022, the following warrants were outstanding:

Exercise price (CAD)	Number outstanding	Remaining Contractual Life (Years)	Expiry date
$0.13	104,086,063	1.44	March 10, 2024

(Stated in thousands of U.S. dollars unless otherwise stated)

19. Related party transactions

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

Name and Principal Position		Remuneration, fees or interest expense	Loans or Advances	Remuneration, fees, or interest payments	Loan payments	Included in Accounts Payable	Included in Loan Payable and Long-term debt
		Nine months ended September 30,				As at September 30, 2022 and December 31, 2021	
		$'000	$'000	$'000	$'000	$'000	$'000
A company controlled by a director	2022	48	-	-	-	214	-
- admin, office, and interest expenses	2021	569	-	-	-	166	15,507
Directors	2022	367	-	349	-	60	-
- salaries and wages	2021	335	-	329	-	42	-

As at September 30, 2022, the Company has $274 (December 31, 2021 - $208) in accounts payable owing to related parties which relate primarily to directors' fees and office rent.

20. Administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
General and administrative	$ 914	$ 631	$ 2,393	$ 1,940
Argentina statutory taxes	62	140	448	497
Professional fees	159	69	465	426
Operating leases	14	11	46	42
Directors' remuneration	54	55	158	163
Loss (gain) on sale of property, plant and equipment	-	-	-	(20)
Depreciation of property, plant and equipment	506	641	1,540	2,066
Depreciation allocated to inventory	(372)	(511)	(1,117)	(1,758)
Depletion of mineral properties	288	138	1,240	684
Amortization of mining rights	25	25	75	75
Consulting fees	13	16	43	39
Transaction taxes expenses	63	12	181	34
Total	$ 1,726	$ 1,227	$ 5,472	$ 4,188

(Stated in thousands of U.S. dollars unless otherwise stated)

21. Financial instruments

The Company's financial instruments consist of cash, receivables, other financial assets, bank indebtedness, accounts payable and accrued liabilities, loan payable, interest payable, and long-term debt.

The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2: inputs, other than quoted prices, that are observable, either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the marketplace.

- Level 3: inputs are less observable, unavoidable or where the observable data does not support the majority of the instruments' fair value.

Fair value

As at September 30, 2022, there were no changes in the levels in comparison to December 31, 2021. The fair values of financial instruments are summarized as follows:

	September 30, 2022		December 31, 2021	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Amortized cost				
Cash	442	442	291	291
Receivables and other receivable [1]	722	722	1,065	1,065
Fair value through other comprehensive income				
Other financial assets (Level 1)	8	8	15	15
Financial liabilities				
Amortized cost				
Bank indebtedness	12,907	12,907	6,706	6,706
Accounts payable and accrued liabilities	6,033	6,033	7,067	7,067
Loan payable and current portion of long-term debt	345	345	517	517
Long-term debt	16,131	16,131	15,762	15,762

[1] Amounts exclude value added tax ("VAT") recoverable of $2,741 and $2,868 as September 30, 2022 and December 31, 2021.

Other financial assets are measured based on Level 1 inputs of the fair value hierarchy on a recurring basis.

The carrying value of receivables, other receivable, accounts payable and accrued liabilities and bank indebtedness approximate their fair value because of the short-term nature of these instruments. The Company assessed that there were no indicators of impairment for the financial assets.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high quality financial institutions and limits the amount of credit exposure with any one

institution. Receivables consist of trade receivables and VAT recoverable and are not considered subject to significant risk, because the amounts are due from a government and a customer who is considered credit worthy.
Market Risk

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

Interest Rate Risk

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

Currency Risk

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

Credit Risk

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

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. As at September 30, 2022, the Company had total cash balances of $442 (December 31, 2021 - $291) at financial institutions, where $Nil (December 31, 2021 - $Nil) is in excess of federally insured limits.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. As at September 30, 2022, the Company had current assets of $6,531 (December 31, 2021 - $6,562) to settle current liabilities of $19,285 (December 31, 2021 - $14,290).

Concentration risk

The Company has concentrations of credit risk with respect to its trade receivables, the majority of which are concentrated internationally amongst a small number of customers. As at September 30, 2022 and December 31, 2021, the Company had two (2) customers that make up the entire balance of the trade receivables. The Company controls credit risk through monitoring procedures, and by performing credit evaluations of its customers, but generally does not require collateral to secure accounts receivable.

22. Other income

As part of the Company´s treasury management, the Company trades certain securities denominated in US dollar and Argentine Peso. The gain on disposition of these securities is recorded as other income on the consolidated statements of loss and comprehensive income (loss). During the three and nine months ended September 30, 2022, the Company recognized a gain of $2,579 (2021 – $383) and $5,152 (2021 – $756) respectively.

23. Segment reporting

All of the Company's operations are in the mineral properties mining and exploration industry with its principal business activity in mineral exploration. The Company conducts its activities primarily in Argentina. All of the Company's long-lived assets are located in Argentina.

(Stated in thousands of U.S. dollars unless otherwise stated)

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

For the three months ended September 30, 2022

	Argentina							
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
Revenue	$ 1,146	$ 1,315	$ -	$ -	$ -	$ -	$ -	$ 2,461
Cost of sales	(890)	(2,900)	-	-	-	-	-	(3,790)
Gross profit (loss)	$ 256	$ (1,585)	$ -	$ -	$ -	$ -	$ -	$ (1,329)
Operating expense								
Exploration expense	$ -	$ -	$ (304)	$ (429)	$ (188)	$ -	$ -	$ (921)
Repair and maintenance	-	-	-	(117)	-	-	-	(117)
Administrative expenses	(211)	(77)	(79)	-	(957)	(20)	(223)	(1,567)
Depreciation expense	-	-	(5)	-	(129)	(25)	-	(159)
Share-based payments	-	-	-	-	-	-	(87)	(87)
Interest expense	-	-	(11)	-	(721)	(142)	(109)	(983)
Total operating expense	$ (211)	$ (77)	$ (399)	$ (546)	$ (1,995)	$ (187)	$ (419)	$ (3,834)
Other income/(expense)								
Interest income	$ -	$ -	$ 4	$ -	$ 43	$ -	$ -	$ 47
Gain/(loss) on foreign exchange	-	-	(873)	-	1,709	750	(489)	1,097
Accretion expense	(63)	(8)	-	(47)	-	-	-	(118)
Other income	-	-	1,236	-	1,343	-	-	2,579
Total other income/(expense)	$ (63)	$ (8)	$ 367	$ (47)	$ 3,095	$ 750	$ (489)	$ 3.605
Income/(loss) – before income tax	$ (18)	$ (1,670)	$ (32)	$ (593)	$ 1,100	$ 563	$ (908)	$ (1,558)
Income tax/(benefit)	-	-	(129)	(10)	(364)	-	-	(503)
Net income/(loss)	$ (18)	$ (1,670)	$ (161)	$ (603)	$ 736	$ 563	$ (908)	$ (2,061)

(Stated in thousands of U.S. dollars unless otherwise stated)

For the three months ended September 30, 2021

	Argentina							
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
Revenue	$ 1,338	$ 4,420	$ -	$ -	$ -	$ -	$ -	$ 5,758
Cost of sales	(1,862)	(2,416)	-	-	-	-	-	(4,278)
Gross profit (loss)	$ (524)	$ 2,004	$ -	$ -	$ -	$ -	$ -	$ 1,480
Operating expense								
Exploration expense	$ -	$ -	$ (432)	$ (14)	$ (986)	$ -	$ -	$ (1,432)
Repair and maintenance	-	-	-	(126)	-	-	-	(126)
Administrative expenses	(68)	(70)	(41)	-	(718)	(4)	(170)	(1,071)
Depreciation expense	-	-	(6)	-	(125)	(25)	-	(156)
Share-based payments	-	-	-	-	-	-	(90)	(90)
Interest expense	-	-	(9)	-	(165)	(122)	(81)	(377)
Total operating expense	$ (68)	$ (70)	$ (488)	$ (140)	$ (1,994)	$ (151)	$ (341)	$ (3,252)
Other income/(expense)								
Interest income	$ -	$ -	$ -	$ -	$ 107	$ -	$ -	$ 107
Gain/(loss) on foreign exchange	-	-	(44)	-	(95)	332	(19)	174
Accretion expense	(5)	(3)	-	(2)	-	-	-	(10)
Other income	-	-	383	-	-	-	-	383
Total other income/(expense)	$ (5)	$ (3)	$ 339	$ (2)	$ 12	$ 332	$ (19)	$ 654
Income/(loss) – before income tax	$ (597)	$ 1,931	$ (149)	$ (142)	$ (1,982)	$ 181	$ (360)	$ (1,118)
Income tax/(benefit)	-	-	(18)	-	(576)	-	-	(594)
Net income/(loss)	$ (597)	$ 1,931	$ (167)	$ (142)	$ (2,558)	$ 181	$ (360)	$ (1,712)

(Stated in thousands of U.S. dollars unless otherwise stated)

For the nine months ended September 30, 2022

	Argentina							
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
Revenue	$ 5,101	$ 5,247	$ -	$ -	$ -	$ -	$ -	$ 10,348
Cost of sales	(5,256)	(6,289)	-	-	-	-	-	(11,545)
Gross profit (loss)	$ (155)	$ (1,042)	$ -	$ -	$ -	$ -	$	$ (1,197)
Operating expense								
Exploration expense	$ -	$ -	$ (935)	$ (926)	$ (2,516)	$ -	$ -	$ (4,377)
Repair and maintenance	-	-	-	(352)	-	-	-	(352)
Administrative expenses	(1,080)	(160)	(203)	-	(2,825)	(36)	(670)	(4,974)
Depreciation expense	-	-	(17)	-	(406)	(75)	-	(498)
Share-based payments	-	-	-	-	-	-	(265)	(265)
Interest expense	-	-	(31)	-	(1,743)	(373)	(278)	(2,425)
Total operating expense	$ (1,080)	$ (160)	$ (1,186)	$ (1,278)	$ (7,490)	$ (484)	$ (1,213)	$ (12,891)
Other income/(expense)								
Interest income	$ -	$ -	$ 10	$ -	$ 147	$ -	$ -	$ 157
Gain/(loss) on foreign exchange	-	-	(1,199)	-	3,303	1,649	(603)	3,150
Accretion expense	(128)	(20)	-	(97)	-	-	-	(245)
Other income	-	-	3,809	-	1,343	-	-	5,152
Total other income/(expense)	$ (128)	$ (20)	$ 2,620	$ (97)	$ 4,793	$ 1,649	$ (603)	$ 8,214
Income/(loss) – before income tax	$ (1,363)	$ (1,222)	$ 1,434	$ (1,375)	$ (2,697)	$ 1,165	$ (1,816)	$ (5,874)
Income tax/(benefit)	-	-	(658)	22	908	-	-	272
Net income/(loss)	$ (1,363)	$ (1,222)	$ 776	$ (1,353)	$ (1,789)	$ 1,165	$ (1,816)	$ (5,602)

(Stated in thousands of U.S. dollars unless otherwise stated)

For the nine months ended September 30, 2021

	Argentina							
	Lomada Project	Cap-Oeste Project	Calcatreu Project	Martha and La Josefina Projects	Argentina Uruguay and Chile	UK	North America	Total
Revenue	$ 3,152	$ 11,081	$ -	$ -	$ -	$ -	$ -	$ 14,233
Cost of sales	(4,418)	(5,643)	-	-	-	-	-	(10,061)
Gross profit (loss)	$ (1,266)	$ 5,438	$ -	$ -	$ -	$ -	$ -	$ 4,172
Operating expense								
Exploration expense	$ -	$ -	$ (1,256)	$ (70)	$ (1,878)	$ -	$ -	$ (3,204)
Repair and maintenance	-	-	-	(514)	-	-	-	(514)
Administrative expenses	(383)	(301)	(192)	-	(2,110)	(146)	(673)	(3,805)
Depreciation expense	-	-	(16)	-	(292)	(75)	-	(383)
Share-based payments	-	-	-	-	-	-	(272)	(272)
Interest expense	-	-	(9)	-	(360)	(359)	(231)	(959)
Total operating expense	$ (383)	$ (301)	$ (1,473)	$ (584)	$ (4,640)	$ (580)	$ (1,176)	$ (9,137)
Other income/(expense)								
Interest income	$ -	$ -	$ 1	$ -	$ 185	$ -	$ -	$ 186
Gain/(loss) on foreign exchange	-	-	(54)	-	(465)	171	23	(325)
Accretion expense	(10)	(6)	-	(6)	-	-	-	(22)
Other income	-	-	756	-	-	-	-	756
Total other income/(expense)	$ (10)	$ (6)	$ 703	$ (6)	$ (280)	$ 171	$ 23	$ 595
Income/(loss) – before income tax	$ (1,659)	$ 5,131	$ (770)	$ (590)	$ (4,920)	$ (409)	$ (1,153)	$ (4,370)
Income tax/(benefit)	-	-	(18)	-	(187)	-	-	(205)
Net income/(loss)	$ (1,659)	$ 5,131	$ (788)	$ (590)	$ (5,107)	$ (409)	$ (1,153)	$ (4,575)

(Stated in thousands of U.S. dollars unless otherwise stated)

	Total Assets		Total liabilities	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
	$'000	$'000	$'000	$'000
Argentina – Cap-Oeste	$ 13,357	$ 12,263	$ 2,435	$ 2,080
Argentina – Lomada	5,306	7,038	3,207	4,899
Argentina – Calcatreu	14,916	15,977	1,233	1,019
Argentina – Martha & La Josefina	11,466	12,086	3,633	4,994
Argentina and Chile	5,078	6,139	9,054	7,439
United Kingdom	95	138	14,003	11,869
North America	4,106	4,098	10,261	7,743
Total	$ 54,324	$ 57,739	$ 43,826	$ 40,043

24. Capital Management

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to fund projects from raising capital from equity placements rather than long-term borrowings;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders in the future when new or existing exploration assets are taken into production.

These objectives will be achieved by maintaining and adding value to existing extraction projects and identifying new exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Company's means.

The Company sets the amount of capital in proportion to its overall financing structure (i.e. equity and financial liabilities). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

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

The Company's capital as at September 30, 2022 and December 31, 2021 is as follows:

	September 30, 2022	December 31, 2021
	$'000	$'000
Bank indebtedness	$ 12,907	$ 6,706
Loan payable and current portion of long-term debt	345	517
Long-term debt	16,131	255
Long-term debt with related parties	-	15,507
Shareholders' equity attributable to the parent	12,127	19,088
Total	$ 41,510	$ 42,073

25. COVID-19

On March 11, 2020, the World Health Organization (WHO) stated the "public health emergency of international concern" and declared the state of pandemic worldwide due to the COVID-19's outbreak in Wuhan, China and its subsequent global spread.

Following this statement, on March 19, 2020, the Argentine Government ordered the "Social, Preventive and Compulsory Isolation" (A.S.P.O. for its acronym in Spanish), by Necessity and Urgency Decree No. 297/2020, imposing the borders' closure and stringent restrictions on domestic circulation of individuals. Such measures comprised several exceptions, including activities that were considered "essential" and, therefore, were excluded from such restrictions. Successive Necessity and Urgency Decrees extended the term of the mentioned measures until November 8, 2020. As of November 9, 2020, by Necessity and Urgency Decree No. 875/2020 and its amendments, it was established the Preventive and Compulsory Social Distancing (Di.S.P.O. for its acronym in Spanish) that is in full force and effect through February 28, 2021 and can be extended for as long as it may be considered necessary in view of the epidemiological situation.

Subsequently, on December 30, 2020, the Ministry of Health's Resolution No. 2883/2020, approving the "Strategic COVID-19 Vaccination Plan" in the Republic of Argentina, was issued. It aimed to reduce morbidity, mortality, and socio-economic impacts of the pandemic, based on the stepped and progressive vaccination of certain population groups.

Because of the various measures adopted by the Argentine government, and within the scenario of the economic activity's generalised recession, the Company has implemented a protocol establishing the working conditions to operate in strict compliance with the public health standards issued by national and provincial authorities, in order to minimize the risk of contagion of co-workers, clients and providers, and to enable the business continuity. It is worth emphasising that, as of the date of approval of these consolidated financial statements, the COVID-19 pandemic continues to be a prevalent situation, the duration of which is uncertain, and the measures taken by the different authorities (national, provincial, and pertaining to town) in response thereto are constantly evolving.

Although the continuity of the Company's operation has not been significantly affected, the extent of COVID-19's impact on the operational and financial performance will depend on the evolution of events (including the spread rate and duration, as well as the national and international governmental measures taken in such regard) and on the impact this situation may cause on our main clients, employees, and providers; all of which is uncertain and, at present, not possible to foresee. However, the Company's Management does not anticipate that such impacts will affect the business continuity or the ability to meet financial commitments in the next twelve (12) months.

26. Subsequent Events

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

An additional subsequent event is disclosed in note 16.