



## **GOLDEN MINERALS REPORTS YEAR-END 2016 RESULTS**

GOLDEN, CO - /PRNEWSWIRE/ - February 28, 2017 – Golden Minerals Company (“Golden Minerals”, “Golden” or the “Company”) (NYSE MKT and TSX: AUMN) has today announced financial results for the full year ending December 31, 2016.

### **2016 Highlights**

- Generated a positive net operating margin (defined as lease revenue less lease costs) of \$4.4 million in 2016 from the Velardena oxide plant lease compared to a negative net operating margin of \$2.0 million in 2015 from a combination of the Velardena oxide plant lease and mining activities
- Granted Hecla Mining Company (“Hecla”) the right to extend the oxide plant lease through the end of 2018
- Generated an additional \$1.8 million in other operating income related to sales and farm-outs of non-strategic property and equipment
- Spent \$3.7 million in exploration expenses to advance exploration properties including Santa Maria and Rodeo:
  - At the Santa Maria property:
    - Completed test mining and processing and sold concentrates containing silver and gold for approximately \$0.3 million, which offset exploration costs for the year
    - Began a mineral resource estimate and Preliminary Economic Assessment which were completed in February 2017
  - At the Rodeo property, completed a 2,100-meter drilling program and began a mineral resource estimate which was completed in January 2017
- Electrum Global Holdings (“Electrum”) began exploration drilling in December 2016 on Golden’s farmed-out Celaya silver and gold property through their 100 percent-owned subsidiary
- Cash and cash equivalents of \$2.6 million with zero debt as of December 31, 2016, as compared to \$4.1 million and \$5.0 million face value convertible debt, respectively, as of December 31, 2015
- Net loss of \$0.13 per share in 2016 compared to net loss of \$0.48 per share in 2015

### **Business Summary**

#### **Oxide Mill Lease**



In July 2015 the Company entered into a leasing agreement with Hecla to lease the Velardena oxide plant for an initial term of 18 months beginning July 1, 2015. During 2016 Hecla exercised its right to extend the initial 18-month term for six additional months until June 30, 2017, as permitted under the original lease agreement. The Company and Hecla also reached an agreement regarding an expansion of the tailings impoundment, at Hecla's cost, to accommodate Hecla's increased use of tailings capacity in excess of an agreed amount while preserving flexibility for future tailings expansions. In connection with the agreement regarding tailings impoundment expansion, Golden also granted Hecla the right to extend the lease for an additional 18 months following June 30, 2017, or until December 31, 2018.

Hecla is responsible for ongoing operation and maintenance of the oxide plant. During the year ended December 31, 2016, Hecla processed approximately 136,000 tonnes of material through the oxide plant, resulting in total revenues to Golden of approximately \$6.4 million. Golden incurred costs of approximately \$2.0 million related to the services it provides under the lease for a net margin of approximately \$4.4 million during 2016. Hecla reached its intended processing throughput of approximately 400 tonnes per day during 2016 and, at this rate, net cash payments to Golden, net of reimbursable costs, should total approximately \$0.4 million per month, including variable and fixed fees, or nearly \$5.0 million annually.

Based on recent public disclosures by Hecla, Golden believes that Hecla has sufficient reserves at their San Sebastian mine to continue to process ore at current throughput rates at the Company's Velardena oxide plant through the end of 2018, should they elect to do so.

### **Sentient Loan Financing**

The Company closed on a \$5.0 million secured convertible loan borrowing from The Sentient Group ("Sentient") in October 2015. The proceeds from this loan enabled Golden to fund the suspension of mining and processing activities at the Velardena Properties and continue our long term business strategy into 2016. The loan was converted by Sentient in two separate transactions, in February 2016 and June 2016, into a total of 27,366,740 shares of Golden Minerals common stock. As a result, Golden Minerals' debt balance was reduced to zero. As of February 24, 2017, Sentient holds approximately 46 percent of the Company's 89.7 million issued and outstanding shares of common stock.

### **Santa Maria**

The Company completed an underground drilling program of 2,200 meters in 24 drill holes in 2016, and has mined and processed a total of 7,500 tonnes of material since 2015. The average grade of the 7,500 tonnes mined and processed is 338 grams per tonne ("gpt") silver and 0.7 gpt gold. The Company completed an updated NI 43-101 mineral resource estimate and PEA that estimates an after-tax net present value of approximately \$6.4 million at an 8 percent discount rate and an internal rate of return of



84 percent. (See the Company's February 15, 2017 press release for additional details.) In 2017, Golden plans to continue to optimize mining plans and obtain permits for the potential mining operation as considered in the current PEA. The Company also plans to conduct additional exploration work with the goal of expanding the deposit.

### **Rodeo**

Golden Minerals completed a 2,080-meter core drilling program at Rodeo during 2016. Results showed 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. In January 2017, the Company announced completion of a NI 43-101 mineral resource estimate for Rodeo, completed by the engineering firm of Tetra Tech. (See the Company's January 26, 2017 press release for additional details.) The Company believes the mineralized material, as currently identified, could provide two to three years of mined material for the Velardena oxide mill (located within trucking distance of the Rodeo property) following the completion of the Hecla lease, which is currently set to expire no later than December 31, 2018. In 2017, Golden plans to continue work related to metallurgical studies, economic evaluation and potential resource expansion.

### **Sales and Farm-outs**

The Company generated approximately \$1.8 million in other operating income related primarily to farm-outs and sales of non-strategic exploration properties and excess equipment during 2016, as detailed in the following two sections.

#### **Celaya Farm-out**

In August 2016, Golden entered into an earn-in agreement with a Mexican subsidiary of Electrum related to the 6,200-hectare silver and gold Celaya project in Mexico. Golden received an upfront payment of \$0.2 million and recorded a 2016 gain of \$0.2 million related to the farm-out. Electrum has agreed to incur specified exploration expenditures during the initial one and three year periods, and has options to acquire interest in a joint venture company to be formed as well as additional interest in the Celaya project. Electrum has conducted geologic mapping and sampling on the Celaya property. New targets have been identified and exploration drilling to test these targets began in December 2016.

#### **Asset Sales**

- In August 2016, Golden sold certain excess mining equipment to Minera Indé, a related party, for \$0.7M, later amended in 2017 to include an additional \$0.2 million sale. Approximately \$0.2 million has been received to date, with the remainder plus interest due in August 2017. The Company recorded a gain of \$0.7 million on the sale in 2016.



- Golden sold its remaining 50 percent interest in the San Diego property in Mexico to Golden Tag Resources, Ltd. in August 2016 for approximately \$0.4 million in cash and 2.5 million common shares of Golden Tag, recognizing a gain of approximately \$0.5 million. Golden Minerals retains a two percent net smelter return royalty on future production at the property.
- The Company entered into an option agreement with Santa Cruz Silver Mining Ltd. in April 2016 related to certain non-strategic mineral claims in the Zacatecas Mining District, for a series of payments totaling \$1.5 million over 24 months. Golden recognized a 2016 gain of \$0.4 million on the first two payments received.

## **Financial Results**

The Company reported revenue of \$6.4 million and a net operating margin of \$4.0 million (defined as lease revenue less lease costs) in 2016, both of which were wholly attributable to the lease of the Company's Velardena oxide plant. This marks an improvement over the negative \$2.0 million net operating margin recorded in 2015 related to the oxide mill lease and mining activity at Velardena. The total loss from operations of \$6.3 million in 2016 compared favorably to a \$30.2 million loss from operations in 2015, the latter negatively impacted by a \$13.2 million non-cash asset impairment charge related to the Velardena Properties recorded after the Company suspended mining activities.

The Company also reported a net loss of \$10.7 million or \$0.13 per share in 2016, compared to a net loss of \$25.4 million or \$0.48 per share in 2015. Included in the net loss for 2016 was a non-cash derivative loss of \$1.7 million related to an increase in the fair value of the liability recorded for warrants to acquire the Company's common stock and a non cash derivative loss of \$0.8 million related to an increase in the fair value of the liability associated with the Sentient convertible loan. The 2015 net loss included non-cash warrant and convertible loan derivative gains of \$1.3 million and \$0.6 million, respectively.

## **Financial Outlook**

In addition to the \$2.6 million cash balance at December 31, 2016, during 2017 Golden expects to receive approximately \$4.8 million in net operating margin from the oxide plant lease, \$0.8 million as final payment of the August 2016 sale to Minera Inde of excess mining equipment, and \$0.6 million from the farm-out of a non-strategic exploration property that occurred in 2016. Subsequent to December 31, 2016, the Company received \$0.5 million in net proceeds from the sale of its common stock under an At the Market ("ATM") offering which was announced in December 2016. Currently, Golden intends to spend the following amounts during 2017, which would result in a cash balance at December 31, 2017 of approximately \$1.5 million:

- Approximately \$1.8 million on exploration activities and property holding costs, including project assessment and development costs related to Santa Maria, Rodeo and other properties



- Approximately \$1.5 million at the Velardena Properties for care and maintenance
- Approximately \$0.5 million at the El Quevar project to fund ongoing maintenance activities and property holding costs
- Approximately \$3.5 million on general and administrative costs

Additional information regarding full year 2016 financial results may be found in the Company's Annual Report on Form 10-K which is available on the Golden Minerals website at [www.goldenminerals.com](http://www.goldenminerals.com).

### **About Golden Minerals**

Golden Minerals is a Delaware corporation based in Golden, Colorado. The Company is primarily focused on acquiring and advancing mining properties in Mexico with emphasis on areas near its Velardena processing plants.

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, and applicable Canadian securities legislation, including statements relating to expectations regarding the oxide plant lease including its duration, revenues and Hecla's future processing capabilities, expectations related to our Santa Maria and Rodeo properties in Mexico, including planned exploration and other evaluation work and costs, and statements regarding our financial outlook, including anticipated 2017 income and expenditures. These statements are subject to risks and uncertainties, including: lower than anticipated revenue from the oxide plant lease as a result of delays or problems at the third party's mine or the oxide plant, earlier than expected termination of the lease or other causes, the reasonability of the economic assumptions at the basis of the Santa Maria PEA and Rodeo 43-101, changes in interpretations of geological, geostatistical, metallurgical, mining or processing information and interpretations of the information resulting from future exploration, analysis or mining and processing experience; new information from drilling programs or other exploration or analysis; unexpected variations in mineral grades, types and metallurgy; fluctuations in silver and gold metal prices; failure of mined material or veins mined to meet expectations; increases in costs and declines in general economic conditions; and changes in political conditions, in tax, royalty, environmental and other laws in Mexico, and financial market conditions. Golden Minerals assumes no obligation to update this information. Additional risks relating to Golden Minerals may be found in the periodic and current reports filed with the SEC by Golden Minerals, including the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

For additional information please visit [http://www.goldenminerals.com/](http://www.goldenminerals.com) or contact:

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SOURCE: Golden Minerals Company



**GOLDEN MINERALS COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Expressed in United States dollars)**

	<u>December 31,</u>		<u>December 31,</u>
	<u>2016</u>		<u>2015</u>
	<small>(in thousands, except share data)</small>		
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,588	\$	4,077
Short-term investments	334		72
Trade receivables	380		546
Inventories	245		330
Value added tax receivable, net	5		400
Related party receivable	643		—
Prepaid expenses and other assets	578		451
Total current assets	<u>4,773</u>		<u>5,876</u>
Property, plant and equipment, net	9,235		11,125
Total assets	<u>\$ 14,008</u>	<u>\$</u>	<u>17,001</u>
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and other accrued liabilities	\$ 1,224	\$	1,144
Convertible note payable - related party, net	—		3,702
Derivative liability - related party	—		488
Deferred revenue	—		500
Other current liabilities	24		556
Total current liabilities	<u>1,248</u>		<u>6,390</u>
Asset retirement and reclamation liabilities	2,434		2,546
Warrant liability - related party	976		117
Warrant liability	922		93
Other long term liabilities	66		84
Total liabilities	<u>5,646</u>		<u>9,230</u>
Commitments and contingencies			
Equity			
Common stock, \$.01 par value, 200,000,000 and 100,000,000 shares authorized; 89,020,041 and 53,335,333 shares issued and outstanding, respectively	889		534
Additional paid in capital	495,455		484,742
Accumulated deficit	-488,037		-477,378
Accumulated other comprehensive income (loss)	55		-127
Shareholders' equity	<u>8,362</u>		<u>7,771</u>
Total liabilities and equity	<u>\$ 14,008</u>	<u>\$</u>	<u>17,001</u>



**GOLDEN MINERALS COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Expressed in United States dollars)

	The Year Ended December 31,	
	2016	2015
	(in thousands except per share data)	
<b>Revenue:</b>		
Oxide plant lease	\$ 6,400	\$ 653
Sale of metals	—	7,418
Total revenue	6,400	— 8,071
<b>Costs and expenses:</b>		
Oxide plant lease costs	-2,046	-199
Cost of metals sold (exclusive of depreciation shown below)	—	-9,866
Exploration expense	-3,718	-3,634
El Quevar project expense	-508	-1,042
Velardeña project expense	—	-119
Velardeña shutdown and care and maintenance costs	-2,016	-1,228
Administrative expense	-3,890	-4,242
Stock based compensation	-593	-453
Reclamation expense	-192	-256
Impairment of long lived assets	—	-13,181
Other operating income, net	1,790	471
Depreciation, depletion and amortization	-1,548	-4,480
Total costs and expenses	-12,721	-38,229
Loss from operations	-6,321	-30,158
<b>Other income and (expense):</b>		
Interest expense	-515	-126
Interest and other income	390	3,083
Warrant derivative (loss) gain	-1,688	1,344
Derivative (loss) gain	-778	553
Loss on debt extinguishment	-1,653	—
Loss on foreign currency	-94	-79
Total other (expense) income	-4,338	4,775
Loss from operations before income taxes	-10,659	-25,383
Income tax benefit	—	—
Net loss	\$ -10,659	\$ -25,383
<b>Comprehensive loss, net of tax:</b>		
Unrealized gain (loss) on securities	182	-127
Comprehensive loss	\$ -10,477	\$ -25,510
<b>Net loss per common share — basic</b>		
Loss	\$ -0.13	\$ -0.48
<b>Weighted average Common Stock outstanding - basic (1)</b>	81,651,896	52,972,352

Potentially dilutive shares have not been included because to do so would be anti-dilutive.