Golden Minerals Co
Form 10-Q
August 09, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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)

DELAWARE	26-4413382
(STATE OR OTHER JURISDICTION 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)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS: YES NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEB SITE, IF ANY, EVERY INTERACTIVE DATA FILE REQUIRED TO BE SUBMITTED AND POSTED PURSUANT TO RULE 405 OF REGULATION S-T (§232.405 OF THIS CHAPTER) DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO SUBMIT AND POST SUCH FILES): YES NO

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 DEFINITION 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 EXCHANGE ACT): YES NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTIONS 12, 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 SUBSEQUENT TO THE DISTRIBUTION OF SECURITIES UNDER A PLAN CONFIRMED BY A COURT: YES NO

AT AUGUST 9, 2018, 95,620,796 SHARES OF COMMON STOCK, $0.01 PAR VALUE PER SHARE, WERE ISSUED AND OUTSTANDING

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GOLDEN MINERALS COMPANY

FORM 10-Q

QUARTER ENDED JUNE 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1.Financial Statements

GOLDEN MINERALS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

(Unaudited)

	June 30, 2018	December 31, 2017
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents (Note 4)	$ 2,510	$ 3,250
Short-term investments (Note 4)	343	238
Lease receivables	435	314
Inventories, net (Note 6)	239	242
Value added tax receivable, net (Note 7)	13	148
Prepaid expenses and other assets (Note 5)	1,019	745
Total current assets	4,559	4,937
Property, plant and equipment, net (Note 8)	7,632	8,140
Total assets	$ 12,191	$ 13,077
Liabilities and Equity		
Current liabilities		
Accounts payable and other accrued liabilities (Note 9)	$ 1,652	$ 1,556
Deferred revenue, current (Note 15)	293	293
Other current liabilities (Note 10)	197	9
Total current liabilities	2,142	1,858
Asset retirement and reclamation liabilities (Note 11)	2,582	2,495
Deferred revenue, non-current (Note 15)	454	600
Other long term liabilities	27	43
Total liabilities	5,205	4,996
Commitments and contingencies (Note 18)		
Equity (Note 14)		
	955	919

Common stock, $.01 par value, 200,000,000 shares authorized; 95,520,796 and 91,929,709 shares issued and outstanding respectively		
Additional paid in capital	517,635	516,284
Accumulated deficit	(511,604)	(509,082)
Accumulated other comprehensive loss	—	(40)
Shareholders' equity	6,986	8,081
Total liabilities and equity	$ 12,191	$ 13,077

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

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GOLDEN MINERALS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in United States dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands except per share data)		(in thousands, except per share data)	
Revenue:				
Oxide plant lease (Note 15)	$ 1,730	$ 1,692	$ 3,367	$ 3,336
Total revenue	1,730	1,692	3,367	3,336
Costs and expenses:				
Oxide plant lease costs (Note 15)	(525)	(548)	(1,028)	(1,085)
Exploration expense	(1,041)	(457)	(1,940)	(991)
El Quevar project expense	(281)	(192)	(553)	(341)
Velardeña shutdown and care and maintenance costs	(492)	(369)	(981)	(719)
Administrative expense	(822)	(872)	(1,883)	(1,898)
Stock based compensation	(235)	(242)	(250)	(307)
Reclamation expense	(52)	(48)	(103)	(97)
Other operating income, net (Notes 7 and 8)	224	705	1,450	862
Depreciation and amortization	(264)	(130)	(560)	(318)
Total costs and expenses	(3,488)	(2,153)	(5,848)	(4,894)
Loss from operations	(1,758)	(461)	(2,481)	(1,558)
Other income and (expense):				
Interest and other income, net (Note 16)	110	4	113	22
(Loss) gain on foreign currency	(41)	(3)	(56)	3
Total other income	69	1	57	25
Loss from operations before income taxes	(1,689)	(460)	(2,424)	(1,533)
Income tax	—	—	—	—
Net loss	$ (1,689)	$ (460)	$ (2,424)	$ (1,533)
Comprehensive loss, net of tax:				
Unrealized loss on securities (Note 3)	—	(51)	—	(103)
Comprehensive loss	$ (1,689)	$ (511)	$ (2,424)	$ (1,636)
Net loss per common share — basic				
Loss	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average Common Stock outstanding - basic (1)	93,681,301	89,618,677	92,709,238	89,485,223

(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 condensed consolidated financial statements.

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GOLDEN MINERALS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

(Unaudited)

	Six Months Ended June 30,	
	2018	2017
	(in thousands)	
Cash flows from operating activities:		
Net cash used in operating activities (Note 17)	$ (2,949)	$ (1,269)
Cash flows from investing activities:		
Proceeds from sale of assets	1,474	733
Acquisitions of property, plant and equipment	(58)	—
Net cash from investing activities	$ 1,416	$ 733
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	793	674
Net cash from financing activities	$ 793	$ 674
Net (decrease) increase in cash and cash equivalents	(740)	138
Cash and cash equivalents, beginning of period	3,250	2,588
Cash and cash equivalents, end of period	$ 2,510	$ 2,726

See Note 17 for supplemental cash flow information.

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

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GOLDEN MINERALS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in United States dollars)

(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Capital	Deficit	(loss)	Equity
	(in thousands except share data)					
Balance, December 31, 2016	89,020,041	$ 889	$ 495,455	$ (488,037)	$ 55	$ 8,362
Cumulative adjustment related to change in accounting principle (Note 3)	—	—	19,046	(17,148)	—	1,898
Adjusted balance at January 1, 2017	89,020,041	$ 889	$ 514,501	$ (505,185)	$ 55	$ 10,260
Stock compensation accrued and shares issued for vested stock awards	200,000	1	196	—	—	197
Shares issued under the at-the-market offering agreement, net (Note 14)	1,024,392	10	671	—	—	681
Consideration shares sold to Hecla, net (Notes 14 and 15)	1,811,015	18	912	—	—	930
Cancellation of treasury shares (Note 14)	(125,739)	1	(1)	—	—	—
Deemed dividend on warrants (Note 3)	—	—	5	(5)	—	—
Unrealized loss on marketable equity securities, net of tax	—	—	—	—	(95)	(95)
Net loss	—	—	—	(3,892)	—	(3,892)
Balance, December 31, 2017	91,929,709	$ 919	$ 516,284	$ (509,082)	$ (40)	$ 8,081
Cumulative adjustment related to change in	—	—	—	(89)	40	(49)

accounting principle (Note 3)						
Adjusted balance at January 1, 2018	91,929,709	$ 919	$ 516,284	$ (509,172)	$ —	$ 8,031
Stock compensation accrued and shares issued for vested stock awards	437,279	4	133	—	—	137
Registered direct purchase agreement, net (Note 14)	3,153,808	32	1,210	—	—	1,242
Deemed dividend on warrants (Note 3)	—	—	8	(8)	—	—
Net loss	—	—	—	(2,424)	—	(2,424)
Balance, June 30, 2018	95,520,796	$ 955	$ 517,635	$ (511,604)	$ —	$ 6,986

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

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GOLDEN MINERALS COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

(Unaudited)

1. Basis of Preparation of Financial Statements and Nature of Operations

Golden Minerals Company (the “Company”), a Delaware corporation, has prepared these unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). The interim condensed consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, but in the opinion of management, include all adjustments necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year; accordingly, these interim financial statements should be read in conjunction with the annual financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and filed with the SEC on March 2, 2018.

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 $1.0 million and $0.7 million in care and maintenance costs for the six months ended June 30, 2018 and June 30, 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 oxide plant began processing material for Hecla in mid-December 2015, and the Company expects to receive net cash flow under the lease of approximately $4.5 million in 2018. However, because Hecla has the right to terminate the lease on sixty days’ notice, there is no assurance that this amount will be received. 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 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 14). The retained employees also include an exploration group and an operations and administrative group to continue to advance the Company’s plans in Mexico, oversee corporate compliance activities, and to maintain and safeguard the longer term value of the Velardeña Properties assets.

The Company remains focused on evaluating and searching for mining opportunities in North America (including Mexico) with near term prospects of mining, and particularly for properties within reasonable haulage distances of our processing plants at the Velardeña Properties. The Company is also reviewing strategic opportunities, focusing primarily on development or operating properties in North America, including Mexico. The Company is continuing its exploration efforts on selected properties in its portfolio of approximately 10 exploration properties located primarily in Mexico.

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

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 3).

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 3).

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

In 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 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.

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3.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 1) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non public Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception" ("ASU 2017-11"). Part I relates to the accounting for certain financial instruments with down round features in Subtopic 815-40, which is considered in determining whether an equity-linked financial instrument qualifies for a scope exception from derivative accounting. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced based on the pricing of future equity offerings. An entity still is required to determine whether instruments would be classified 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 14) 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 $1.9 million and a warrant derivative gain of $17.1 million in its "Accumulated deficit" as reported in its Condensed Consolidated Balance Sheets for the year ended December 31, 2016 relating to the September 2012 and 2014 warrants prior to the change in accounting principle. The Company had recorded a warrant liability of $1.5 million as of June 30, 2017 and reported a warrant derivative loss of $0.4 million for the six months ended June 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 Condensed Consolidated Balance Sheets by approximately $0.3 million related to prior triggering events. During the six-month period ending June 30, 2017 the Company would have reduced its accumulated deficit by approximately $1,000 related to triggering events. During the six-month period ending June 30, 2018 the Company reduced its accumulated deficit by approximately $8,000 related to triggering events.

Except for the down round features in the September 2012 and 2014 warrants, the warrants would have been classified in equity under the guidance in Subtopic 815-40 and therefore qualify for the scope exception in ASU 2017-11. As permitted, the Company elected to adopt the accounting principles prescribed by ASU 2017-11 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 Condensed 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 six month period ending June 30, 2017. Because the Company has retroactively applied the change in accounting principle discussed above to the beginning of 2017, the Company is no longer reporting warrant derivative gains or losses for the September 2012 and 2014 warrants beginning in 2017.

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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 8). 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 Condensed Consolidated Statement of Changes in Equity, and recording $49,000 in "Other operating income, net" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss for the period ended June 30, 2018. See Note 8 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 reported at fair value of $238,000, with cumulative unrealized losses of $40,000 recorded in "Accumulated other comprehensive loss" on its Condensed 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 Condensed Consolidated Statement of Changes in Equity, and has recorded a gain of approximately $67,000 in "Interest and other income, net" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss for the period ended June 30, 2018.

4. Cash and Cash Equivalents and Short-term Investments

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

The Company determines the appropriate classification of its investments in equity securities at the time of acquisition and re-evaluates those classifications at each balance sheet date. Trading securities at June 30, 2018 were marked to market with a gain of \$61,000 and \$67,000 due to the change in fair value for the three and six months ended June 30, 2018, respectively, recorded in “interest and other income, net” in the Condensed Consolidated Statements of Operations and Comprehensive Loss. Available for sale investments at December 31, 2017 were marked to market with the cumulative negative change in fair value through December 31, 2017 of \$40,000 recorded as a component of other comprehensive (loss) (see Note 3).

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The following tables summarize the Company's short-term investments at June 30, 2018 and December 31, 2017:

June 30, 2018	Cost	Estimated Fair Value	Carrying Value
	(in thousands)		
Investments:			
Short-term:			
Trading securities	$ 275	$ 343	$ 343
Total trading securities	275	343	343
Total short term	$ 275	$ 343	$ 343

December 31, 2017

Investments: