Patagonia Gold Plc
Interim Statements

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN U.S. DOLLARS)

For the six months ended June 30, 2012 and 2011
(Unaudited)

CHAIRMAN'S INTRODUCTION

I am pleased to present the Company's unaudited interim report for the six months ended 30 June 2012.

Sir John Craven
Chairman

September 13, 2012

Patagonia Gold Plc

OPERATIONS REPORT

Patagonia Gold Plc

Patagonia Gold Plc ("Patagonia" or the "Company) is a gold and silver exploration and development company operating in Argentina. The Company's growth strategy aims to develop a number of projects located in the province of Santa Cruz in the southern Patagonia region of Argentina, a mineral-rich region that hosts several medium sized producing assets such as the Cerro Vanguardia Mine (AngloGold Ashanti), Manantial Espejo (Pan American Silver Corp.) and the world class Cerro Negro mine (Goldcorp Inc.) currently under development.

The Company holds directly, or indirectly through its subsidiaries or under option agreements, the mineral rights to over 220 property interests in Argentina and Chile. These include the mineral rights to 67 property interests in the province of Santa Cruz covering approximately 190,000 hectares held by the Company's 90%-owned Argentinian subsidiary, Patagonia Gold S.A. ("PGSA"), and to 51 property interests covering approximately 156,000 hectares held by the 100%-owned Argentinian subsidiary Minera Minamalu S.A. ("Minamalu").

The Company's operations in Santa Cruz are managed and operated through PGSA and the land holdings in Santa Cruz include approximately 200,000 hectares acquired from Barrick Gold Corporation in 2007 and a further 100,000 hectares acquired from the Santa Cruz government's wholly-owned mining company, Fomicruz Minero de Santa Cruz Sociedad del Estado ("Fomicruz"), in 2011.

Fomicruz obtained 10% of PGSA in return for the rights to explore, develop and mine 100,000 hectares of Fomicruz's prospective mining properties. Patagonia benefits from having the Santa Cruz government as a strategic partner in developing a number of PGSA's projects, including the four main properties discussed below.

The Company has no long term debt. In the past it has raised new equity and temporary short term debt as needed to carry out its exploration and development plans. The exploration and development plans set out below are subject to adequate funding being available on a timely basis.

Patagonia Gold's properties

Patagonia's flagship project is the Cap-Oeste gold and silver project (the "Cap-Oeste Project") located in the El Tranquilo property block approximately 65 kilometres southwest of the town of Bajo Caracoles in Santa Cruz. The Company's aim is to continue to expand the Cap-Oeste Project resource base and to develop the project towards production in 2015. The Company's aim is to become a 200,000 ounce per annum gold equivalent producer by 2015.

Two kilometres along strike from the Cap-Oeste Project is the smaller but strategically vital Cap-Oeste South-East Project (the "COSE Project"). The Company plans to commence development and mining of the COSE project as a means of generating significant near-term cash flow to self-finance a sizeable portion of the development requirements for the Cap-Oeste Project.

The Lomada de Leiva gold project (the "Lomada Project") is located in the La Paloma property block approximately 120 kilometres to the north of the El Tranquilo property block. The Company successfully completed a heap leach trial at the Lomada Project and will begin development of the main heap leach as well as producing gold and generating consistent cash flow from this project starting in the fourth quarter of 2012.

The La Manchuria property block is located approximately 50 kilometres to the southeast of the El Tranquilo property block and hosts the La Manchuria Project. The Company also has a number of other exploration leases within the Deseado Massif.

OPERATIONS REPORT *continued*

Several of PGSA's properties host mineralization that is not typical of epithermal vein systems. The properties are characterized by low sulphidation, epithermal style gold-silver deposits hosted within hydrothermal breccias or fault hosted breccias, with widths up to 35 metres of Bonanza grade mineralization being intersected. The Cap-Oeste Project falls into this category, as does the COSE Project. Classic low sulphidation epithermal veins with high grade Au-Ag intersected within narrow steeply dipping structures characterize other properties. The diversity and varied mineralization styles differ with regards to location within the Deseado Massif.

Since the property acquisition from Barrick Gold Corporation ("Barrick") in 2007, the Company has rapidly grown its resource base through the implementation of a thorough and aggressive exploration and development program. This includes a recent resource update for the Cap-Oeste Project on September 10, 2012 representing the fourth resource update on the flagship project since 2008. Resources delineated as at September 13, 2012 are listed in the table below.

2012 Indicated Resources

		Grade (g/t)			Metal (Oz)		
Project	**Tonnes**	**Au**	**Ag**	**AuEq**	**Au**	**Ag**	**AuEq**
Cap-Oeste	7,790,000	2.93	99.00	4.78	734,000	24,801,000	1,197,000
COSE	20,637	60.06	1,933.07	96.21	39,850	1,282,582	63,835
Manchuria	425,705	2.95	135.00	4.07	40,317	1,848,211	55,684
Lomada	5,002,016	1.00	NA	NA	161,346	NA	161,346
Total Indicated					975,513	27,931,793	1,477,865

2012 Inferred Resources

		Grade (g/t)			Metal (Oz)		
Project	**Tonnes**	**Au**	**Ag**	**AuEq**	**Au**	**Ag**	**AuEq**
Cap-Oeste	2,369,000	1.52	52.5	2.50	116,000	4,001,000	191,000
COSE	13,758	60.06	1,933.07	96.21	26,566	855,055	42,558
Manchuria	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682
Lomada	3,412,270	0.67	NA	NA	73,727	NA	73,727
Total Inferred					288,628	7,191,291	397,967

Cap-Oeste Project

The Cap-Oeste Project is the Company's flagship project and is located within a structural corridor extending 6 kilometres from the La Pampa prospect in the northwest to the Tango prospect in the southeast. The Cap-Oeste deposit to date has an identified and delineated strike extent of 1.2 kilometres.

Since acquiring the property from Barrick in 2007, PGSA has drilled 448 holes in the period to June 30, 2012 for a total of 95,262 metres. During this period to June 30, 2012, the Company filed three Canadian National Instrument 43-101 ("NI 43-101") resource estimates, the third resource estimate was filed in November 2011. Subsequently, on September 10, 2012, Patagonia announced a fourth updated resource estimate reporting a 30% increase in gold equivalent grade in the indicated category and an increase in resource of 230,000 ounces to 1,197,000 gold equivalent ounces in the indicated category. Chlumsky, Armbrust & Meyer L.L.C. ("CAM") of Lakewood Colorado have been contracted to independently audit and classify an updated mineral resource estimate for the Cap-Oeste Project and to prepare a technical report in accordance with NI 43-101.

OPERATIONS REPORT *continued*

The resource upgrade, generated from the Phase III drilling campaign consisting of 57 HQ diamond core drill-holes for a total of 20,210 metres commenced in August 2011 and was completed in February 2012. Drilling was targeted principally at the lower part of the Cap-Oeste deposit containing high grade intersections within and around the inferred tonnage of the November 2011 resource upgrade. The drilling successfully increased the grade, the contained ounces and the confidence level of the deposit.

The Cap-Oeste mineralisation has now been intersected over a distance in excess of 1,200 metres along the Bonanza fault structure. The majority of the currently identified mineralization is concentrated within a strike length of 650 metres by 350 metres in depth and in excess of 12 metres in average true width. The thickening of the mineralisation is due to areas of dilation where two or more major structures intersect. These zones of structural complexity exhibit the most potential for future resource expansion and are now the focus of future exploration.

Phase IV drilling continued through February to May 2012 and to-date 43 HQ diamond core drill-holes for a total of 12,010 metres have been completed towards the next resource update, expected in early 2013.

Metallurgical test work results were reported in February 2012 and were highly encouraging. Oxide samples recovered up to 98.8% gold and 97.5% silver, while sulphide samples returned up to 88.3% gold and 95.5% silver. Additional metallurgical test work programs are on-going and will continue throughout the pre-feasibility and feasibility study period.

The resource remains open along strike and down dip in both directions. Resource extension exploration drilling is due to restart in fourth quarter 2012 on the Cap-Oeste structure targeting primarily the highly prospective COSE – Cap-Oeste corridor with the area of main interest being the relatively unexplored corridor between Cap-Oeste and the Bonanza grade COSE deposit situated 1.8 kilometres to the south-east of the main Cap-Oeste mineralized system. Recent drilling to the north-west of the COSE deposit has intersected mineralisation of similar texture and nature to the COSE deposit up to 200 metres from the main mineralised COSE body.

The Company has commenced the search for a consultancy group and feasibility study project manager to advance Cap-Oeste to the next stage which will consist of a full pre-feasibility study and extensive metallurgical testwork programmes. Mining and process methods will be investigated and designed, together with an estimate and analysis of the projected capital and operating cost requirements. The study is scheduled to start in first quarter 2013 subject to the availability of the selected consulting groups.

The development timeline for the Cap-Oeste Project expects to have the pre-feasibility study completed by early 2013, a full feasibility study filed by the end of 2013, permitting and commencement of construction in 2014 and full production commencing in 2015.

Lomada de Leiva Project

The Lomada Project is spearheading the Company's growth strategy by being the first project to begin full-scale gold production. The Company has accumulated approximately 115 kilograms of gold on carbon from the heap leach trial initiative completed in late 2011 and the trial is currently in an expansion phase to 200,000 tonnes. This gold production is expected to begin in fourth quarter of 2012 once the gold processing facility ("gold room") is commissioned. In addition, the Company will commence construction of the main heap leach in the fourth quarter of 2012 subject to final approval of the Environmental Impact Assessment ("EIA"), with gold production expected in 2013.

OPERATIONS REPORT *continued*

Exploration drilling on the Lomada Project was initiated soon after its acquisition from Barrick in 2007 and confirmed promising historical drill data and an NI 43-101 resource report was filed the same year. A preliminary economic assessment ("PEA") was completed in 2009 which indicated that the Lomada Project's minimal capital requirements, low cash cost of $299 per ounce of gold and strong cash flow potential made it suitable for a heap leach processing operation, and construction began in 2010. A 50,000 tonne trial heap leach operation used feed from surface mining onsite and tested according to specification during 2011. The leach pad is being expanded in the second phase of testing with a capacity of 200,000 tonnes in 2012. The final EIA has been submitted to the Secretary of Mining, Santa Cruz and represents the final step in the application process for the final permit and start up of full-scale production. Approval of the EIA is anticipated by the end of September 2012.

The construction of the gold room for the Lomada mineralisation is underway and scheduled for completion in the fourth quarter of 2012. Critical items of equipment including the electro-winning cells and the carbon regeneration kiln have been delivered. A contractor is currently on site erecting the permanent facilities and manual commissioning is scheduled to take place in October 2012. The Company expects to extract gold from carbon in early fourth quarter of 2012.

Expansion of the trial heap leach pad to over 135,000 tonnes has been completed and gold inventory in excess of 115 kilograms of gold has now been accumulated onto carbon. The final stage to complete the trial heap leach expansion to 200,000 tonnes under irrigation will commence in early fourth quarter of 2012.

The Company is in the process of purchasing a new mining fleet and updating pit design and cash flow models for mining in 2013. AMEC in the U.S. has been contracted to design the final heap leach expansion, which is to be located 300 metres south of the existing trial. Geo-technical studies and a site visit have been completed with the final design scheduled for completion by the end of the third quarter of 2012. The main heap leach at Lomada is expected to produce over 21,000 ounces of gold per year, at a cash cost of $400 to $450 per ounce, for the minimum expected mine life of seven years. There is potential to grow the project if in-fill drilling can convert inferred resources to indicated resources and/or additional resources can be found through further drilling.

COSE Project

The COSE Project, located two kilometres along strike from the Cap-Oeste Project, is scheduled to be the second project within the PGSA portfolio to be developed and to begin production starting in 2013. The objective is to develop and mine the COSE Project as a means of generating significant short-term cash flow to self-finance a sizeable portion of the development requirements for the Cap-Oeste Project.

COSE is a fault breccia hosted quartz sulphide rich Au Ag system hosted within the intersection of the steeply dipping COSE (extension of Bonanza) fault and cross cutting northeast and southwest trending structures. The mineralization was discovered in early 2010 during exploration along the Bonanza fault towards the Tango mineralization.

The COSE Project was previously undrilled and initial drilling results indicated that the grades intersected might lead to the delineation of a stand-alone resource for short-term development. This proved to be the case with a resource in excess of 100,000 AuEq ounces being delineated in approximately 36,000 tonnes of material. Wide low grade or diffuse zones of Ag rich low-grade Au mineralization characterize the mineralization outcrops at surface and within the first 130 metres vertically down dip. Below 130 metres and continuing to a currently delineated depth of 260 metres, the width of the fault hosted breccia decreases and the grade of both Au and Ag increase exponentially leading in turn to the overall resource grade being estimated in excess of 90 g/t Au Eq. The mineralized structure containing the COSE deposit remains open at depth and along strike. Future deeper drilling which is required in order to test the down dip potential of the deposit will be carried out from underground.

OPERATIONS REPORT *continued*

In 2010 the Company filed the maiden NI 43-101 resource estimate for the COSE Project. A PEA was completed to establish viability for the construction, mining and processing of the deposit. The PEA showed the project could be constructed and mined out in a 23-month period and to have very attractive financial characteristics that included a production rate of 3,600 tonnes per month at a cash cost of $167 per tonne, net revenue of $63.7 million (assuming a gold price of $1,204 per ounce and a silver price of 23.75 per ounce), net present value of $56.8 million at an 8% discount rate, an extraordinary internal rate of return of 870% and a payback period of only two months after the start of production.

Drilling continued in 2011 and 2012 and as at June 30, 2012, a total of 107 holes, including geotechnical and water monitoring, totalling 22,638 metres have been completed on the COSE project and the area directly surrounding the delineated resource. Drilling is currently in recess for the winter period and the Company plans to restart drilling activities in the fourth quarter of 2012.

Three critical, long lead-time underground mining machinery items have been purchased and received on site. Construction of the temporary storage facilities and seventy-man camp, complete with kitchen, dining, laundry and recreational facilities is complete. Construction of the maintenance workshop is in progress.

The underground mine design is complete and the Company has received the permit to commence construction of the underground decline and is finalising the permit application for mining. A tendering process has been conducted to select a qualified contractor to construct the portal and underground decline access and to mine the COSE Project. A preferred bidder has been selected pending completion of legal due diligence. Work on the construction of the portal and underground decline access will commence in the fourth quarter of 2012 and is expected to take twelve months to complete.

COSE is scheduled to begin production of resources in 2013 and to continue into 2014. In March 2012, two drill holes were completed to obtain material for metallurgical test work and for a smelter off-take marketing study for the sale of the resources as direct feed to smelters in China. The deposit will be accessed via the underground decline from surface, mining will be carried out via implementation of various methods including hand held, long hole or mechanized and underhand cut-and-fill pattern stoping. The material brought to the surface will be crushed, process bagged and sold as concentrate for direct smelter feed offshore.

Subsequent to June 30, 2012, the Company announced new drilling results in July 2012 for the COSE Project, including the discovery of a new zone of high-grade mineralisation to the northwest of the COSE deposit. A new drill program is currently under design to test down dip extension of the newly discovered mineralisation and the remaining one kilometre of strike extension between the COSE and Cap-Oeste deposits.

La Manchuria Project

The La Manchuria Project is unique among PGSA's main properties in that it is a "greenfield" site with no previous history of exploration or mining. Shortly after it was acquired in 2007, PGSA launched a three-year exploration program that included soil geochemistry, mapping, trenching, petrographic analysis and topographic surveying. Three drill campaigns have been completed encompassing 110 drill holes totalling 17,847 metres.

An NI 43-101 resource estimate, released in September 2010, listed Indicated Resources at 55,684 ounces of gold equivalent and Inferred Resources of 90,682 ounces. High-grade gold and silver mineralization is open along strike to northeast and southeast.

OPERATIONS REPORT *continued*

Exploration drilling is planned to consist of a 4,000 metre drill campaign, together with sampling and assaying of 1,200 samples.

Social and economic responsibility

Patagonia Gold maintains a strong awareness of its responsibilities towards the environment and existing social structures.

Careful attention is given to ensure that all exploration and development work is carried out strictly within the guidelines of the relevant mining and environmental acts. Patagonia Gold attempts, where possible, to hire local personnel and use local contractors and suppliers.

Bill Humphries
Chief Executive Officer

September 13, 2012

Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Expressed in U.S. dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

	Note	Six months ended June 30, 2012 (unaudited)	Six months ended June 30, 2011 (unaudited)	Year ended December 31, 2011 (audited)
Continuing operations				
Exploration costs		$ (10,062)	$ (8,013)	$ (16,193)
Administration costs				
Share-based payments charge	23	(2,038)	(6,951)	(8,481)
Other administrative costs	5	(3,522)	(1,024)	(8,691)
		(5,560)	(7,975)	(17,172)
Finance income	13	3,281	81	228
Finance costs		(62)	(62)	(30)
Loss for the period		(12,403)	(15,969)	(33,167)
Other comprehensive loss				
Loss on revaluation of available-for-sale financial assets	13	(37)	(42)	(131)
Exchange loss on translation of foreign operations		(725)	(481)	(566)
Other comprehensive loss for the period		(762)	(523)	(697)
Total comprehensive loss for the period attributable to owners of the parent		(13,165)	(16,492)	(33,864)
Net loss per share				
Basic loss per share	7	$ (0.02)	$ (0.02)	$ (0.05)
Diluted loss per share	7	$ (0.02)	$ (0.02)	$ (0.05)

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

Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	Note	As at June 30, 2012 (unaudited)	As at June 30, 2011 (unaudited)	As at December 31, 2011 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 9,696	$ 3,675	$ 7,350
Mineral properties	8	9,610	6,506	8,419
Mining rights	10	3,986	—	3,986
Available-for-sale financial assets	13	84	214	120
Other receivables	11	8,415	5,522	6,536
		31,791	15,917	26,411
Current assets				
Available-for-sale financial assets	13	3,032	—	—
Inventory	14	3,881	—	2,239
Trade and other receivables	12	395	279	360
Cash and cash equivalents	15	1,555	32,183	11,326
		8,863	32,462	13,925
Total assets		$ 40,654	$ 48,379	$ 40,336
LIABILITIES				
Current liabiltiies				
Bank overdraft	15	$ 11	$ —	$ 380
Finance lease obligations	16	57	—	—
Trade and other payables	17	5,075	4,685	7,242
		5,143	4,685	7,622
Non-current liabilities				
Finance lease obligations	16	50	—	—
Long-term accruals and provisions	19	894	412	852
		944	412	852
Total liabilities		$ 6,087	$ 5,097	$ 8,474
EQUITY				
Share capital	20	$ 12,175	$ 11,765	$ 11,381
Share premium account		131,681	121,081	117,205
Currency translation reserve		1,086	(1,613)	3,349
Share-based payment reserve		12,494	9,870	10,941
Accumulated losses		(126,855)	(97,821)	(115,000)
Equity attributable to shareholders of the parent		30,581	43,282	27,876
Non-controlling interest		3,986	—	3,986
Total equity		34,567	43,282	31,862
Total liabilities and equity		$ 40,654	$ 48,379	$ 40,336

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS) (UNAUDITED)

		Equity attributable to shareholders of the parent							
	Note	Share capital	Share premium account	Currency translation reserve	Share-based payment reserve	Accumulated losses	Total attributable to owners	Non-controlling interests	Total equity
At January 1, 2011		$ 10,454	$ 81,508	$ 1,850	$ 2,967	$ (81,903)	$ 14,876	$ —	$ 14,876
Changes in equity for first six months of 2011									
Share-based payment		—	—	—	6,951	—	6,951	—	6,951
Issue of share capital									
Issue by placing		933	38,255	—	—	—	39,188	—	39,188
Transaction costs of placing		—	(1,424)	—	—	—	(1,424)	—	(1,424)
Exercise of option		15	169	—	(93)	93	184	—	184
Transactions with owners		948	37,000	—	6,858	93	44,899	—	44,899
Loss for the period		—	—	—	—	(15,969)	(15,969)	—	(15,969)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets		—	—	—	—	(42)	(42)	—	(42)
Exchange differences on translation to dollars		363	2,573	(3,463)	45	—	(482)	—	(482)
Total comprehensive income (loss) for the period		363	2,573	(3,463)	45	(16,011)	(16,493)	—	(16,493)
At June 30, 2011		11,765	121,081	(1,613)	9,870	(97,821)	43,282	—	43,282
At January 1, 2011		$ 10,454	$ 81,508	$ 1,850	$ 2,967	$ (81,903)	$ 14,876	$ —	$ 14,876
Changes in equity for year ended December 31, 2011									
Share-based payment	23	—	—	—	8,481	—	8,481	—	8,481
Share-based payment on acquiring mining rights		—	—	—	—	—	—	3,986	3,986
Issue of share capital									
Issue by placing	20	933	38,255	—	—	—	39,188	—	39,188
Transaction costs of placing		—	(1,424)	—	—	—	(1,424)	—	(1,424)
Exercise of option	20	46	573	—	(201)	201	619	—	619
Transactions with owners		979	37,404	—	8,280	201	46,864	3,986	50,850
Loss for the year		—	—	—	—	(33,167)	(33,167)	—	(33,167)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets		—	—	—	—	(131)	(131)	—	(131)
Exchange differences on translation to dollars		(52)	(1,707)	1,499	(306)	—	(566)	—	(566)
Total comprehensive income (loss) for the period		(52)	(1,707)	1,499	(306)	(33,298)	(33,864)	—	(33,864)
At December 31, 2011		11,381	117,205	3,349	10,941	(115,000)	27,876	3,986	31,862
Changes in equity for first six months of 2012									
Share-based payment	23	—	—	—	2,038	—	2,038	—	2,038
Issue of share capital									
Issue by placing	20	495	11,880	—	—	—	12,375	—	12,375
Transaction costs of placing		—	(297)	—	—	—	(297)	—	(297)
Exercise of option	20	177	1,577	—	(585)	585	1,754	—	1,754
Transactions with owners		672	13,160	—	1,453	585	15,870	—	15,870
Loss for the period		—	—	—	—	(12,403)	(12,403)	—	(12,403)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets		—	—	—	—	(37)	(37)	—	(37)
Exchange differences on translation to dollars		122	1,316	(2,263)	100	—	(725)	—	(725)
Total comprehensive income (loss) for the period		122	1,316	(2,263)	100	(12,440)	(13,165)	—	(13,165)
At June 30, 2012		$ 12,175	$ 131,681	$ 1,086	$ 12,494	$ (126,855)	$ 30,581	$ 3,986	$ 34,567

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

Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	Note	Six months ended June 30, 2012 (unaudited)	Six months ended June 30, 2011 (unaudited)	Year ended December 31, 2011 (audited)
Operating activities				
Net loss for the period		$ (12,403)	$ (15,969)	$ (33,167)
Adjustments for:				
Finance income		(3,281)	(81)	(228)
Depreciation and amortization	8&9	502	145	814
Increase in available for sale financial assets		(3,032)	—	—
Increase in inventory		(1,642)	—	(2,239)
Increase in trade and other receivables		(1,914)	(2,083)	(3,177)
Increase in current finance lease obligations	16	57	—	—
(Decrease)/increase in trade and other payables		(2,167)	1,115	3,672
Increase in non-current finance lease obligations	16	50	—	—
Increase in long-term provisions		42	223	663
Share-based payments charge	23	2,038	6,951	8,481
Net cash used in operating activities		(21,750)	(9,699)	(25,181)
Investing activities				
Purchase of bonds	13	(7,006)	—	—
Proceeds from sale of bonds	13	10,125	—	—
Finance income		162	81	228
Purchase of property, plant and equipment	9	(2,946)	(3,018)	(7,503)
Increase in mineral properties	8	(1,825)	(2,951)	(4,988)
Net cash used in investing activities		(1,490)	(5,888)	(12,263)
Financing activities				
Proceeds from issue of share capital	20	12,078	37,764	37,764
Proceeds from exercise of options	20	1,754	184	619
Net cash from financing activities		13,832	37,948	38,383
Net (decrease)/increase in cash and cash equivalents		(9,408)	22,361	939
Cash and cash equivalents at beginning of year		10,946	10,242	10,242
Effects of exchange rate fluctuations on cash and cash equivalents		6	(420)	(235)
Cash and cash equivalents at end of period		$ 1,544	$ 32,183	$ 10,946

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

The financial statements on pages 10 to 13 represent the parent company Patagonia Gold Plc (the "Company") and it's subsidiaries, collectively known as the "Group".

1. Basis of preparation

Patagonia Gold Plc is a company registered in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange and on the Toronto Stock Exchange.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Group's condensed consolidated interim financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). This condensed consolidated financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended December 31, 2011 were approved by the Board of Directors on April 24, 2012. These financial statements which contained an unqualified audit report under Section 495 of the Companies Act 2006, with an emphasis of matter paragraph on going concern, did not contain any statements under Section 498(2) or (3) of the Companies Act 2006, and have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2011. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements. There has been no change in critical accounting estimates from year-end.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Going concern

These condensed consolidated interim financial statements are prepared on a going concern basis, which the Directors believe to be appropriate.

The Company as at the date of these financial statements does not have sufficient funding to meet the Group's working capital requirements for the next 12 months. The Group and Company need to raise additional finance to satisfy its forecast cash requirements to complete the planned exploration and development activity, prior to generating cash flow from its own properties. Certain economic factors such as on-going economic uncertainty, currency volatility and a possible downturn in the global economy could affect the Group and Company's ability to generate funding in the future. Management is confident of raising additional finance based on the success of prior fundraising rounds. The recent volatility in equity and debt markets combined with the Group and Company's need to raise additional finance to satisfy its forecast cash requirements indicates the existence of a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern. The Group and Company are confident that they will be able to secure additional funding to enable them to continue to meet their commitments as they fall due and to undertake the current planned program of activity over the 12 months from the date of this Report. Accordingly, the financial statements do not include any adjustments, which would be necessary if the Company and Group ceased to be a going concern.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

3. Recent accounting pronouncements

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2012 or later periods, but the Company has not implemented early adoption:

- IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. Further chapters dealing with impairment methodology and hedge accounting are still being developed.
- IFRS 10 Consolidated Financial Statements ("IFRS 10") supersedes IAS 27 Consolidated and Separate Financial Statements ("IAS 27") and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. However the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.
- IFRS 11 Joint Arrangements ("IFRS 11") supersedes IAS 31 Interests in Joint Ventures ("IAS 31"). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.
- IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.
- IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.
- Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures ("IAS 28") were made. IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged. These amendments are effective for financial years beginning on or after January 1, 2013.
- Disclosures – Presentation of Financial Statements – Amendments to IAS 1 ("IAS 1 Amendments") require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

  (a) Will not be reclassified subsequently to profit or loss and

  (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

  It is applicable for annual periods beginning on or after July 1, 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

- Disclosures – Employee Benefits – Amendments to IAS 19 ("IAS 19 Amendments") include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They include:
  - ➢ Eliminating the 'corridor method' and requiring entities to recognize all gains and losses arising in the reporting period;
  - ➢ Streamlining the presentation of changes in plan assets and liabilities; and
  - ➢ Enhancing the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") was issued by the IASB in October 2011. IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue:
  - (i) Usable ore that can be used to produce inventory; and
  - (ii) Improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted and includes guidance on transition for pre-existing stripping assets.

The Group's management have yet to assess the impact of IFRS 13, IAS 19 and IFRIC 20. In respect of the other standards the Directors anticipate that their adoption in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

4. Segmental analysis

Management does not currently regard individual projects as separable segments for internal reporting purposes with the exception of the Lomada Project, which has completed the trials stage and is entering full production and the COSE Project where construction work has commenced.

The Group's net loss and its geographic allocation of total assets and total liabilities may be summarised as follows:

Net loss

(Thousands of $)	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
United Kingdom	$ (909)	$ (7,543)	$ (13,366)
Canada	(374)	—	(411)
Argentina – Lomada Project	(101)	—	—
Argentina – COSE Project	—	(17)	(17)
Argentina and Chile[(1)]	(11,019)	(8,409)	(19,373)
	$ (12,403)	$ (15,969)	$ (33,167)

(1) Segment represents other exploration projects.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

Total assets

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
United Kingdom	$ 1,411	$ 29,181	$ 8,164
Canada	120	—	9
Argentina – Lomada Project	12,657	4,987	9,307
Argentina – COSE Project	7,079	—	2,868
Argentina and Chile[(1)]	19,387	14,211	19,988
	$ 40,654	$ 48,379	$ 40,336

(1) Segment represents other exploration projects.

Total liabilities

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
United Kingdom	$ 580	$ 433	$ 1,027
Canada	9	—	70
Argentina – Lomada Project	1,038	—	871
Argentina – COSE Project	425	—	166
Argentina and Chile[(1)]	4,035	4,664	6,340
	$ 6,087	$ 5,097	$ 8,474

(1) Segment represents other exploration projects.

The Group's geographic allocation of exploration costs is as follows:

(Thousands of $)	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
Argentina – COSE Project	—	17	17
Argentina[(1)]	10,062	7,996	16,176
	$ 10,062	$ 8,013	$ (16,193)

(1) Segment represents other exploration projects.

In 2010, the costs at the Lomada Project were capitalised from September 1, 2010 onwards and disclosed as mineral properties. See Note 8.

In 2011, the costs at the COSE Project were capitalised from March 1, 2011 onwards and disclosed as mineral properties. See Note 8.

Exploration costs at all the other projects were written off to the statement of comprehensive income in the period they were incurred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

5. Other administrative costs

(Thousands of $)	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
General and administrative	$ 1,153	$ 560	$ 1,774
Local Argentina taxes	300	88	1,497
Professional fees	393	328	1,448
Foreign exchange	269	(791)	980
PG Plc Directors remuneration	544	360	953
Depreciation	326	145	814
VAT expense	396	135	762
Consultancy fees	141	199	463
	$ 3,522	$ 1,024	$ 8,691

6. Remuneration of Directors and key management personnel

Directors' emoluments:

(Thousands of $)	Note	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
Directors remuneration		$ —	$ —	$ 209
Directors fees		348	360	714
Termination payments		—	—	30
Consultancy fees		35	107	212
Share-based payments charge	22	1,666	4,943	5,713
		$ 2,049	$ 5,410	$ 6,878

In the six months ended June 30, 2012, the highest paid Director received $134 thousand (six months ended June 30, 2011: $137 thousand). This amount does not include any share-based payments charge.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

Key management personnel emoluments:

(Thousands of $)	Note	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
Salaries		$ 216	$ 84	$ 321
Other compensation, including short-term benefits		50	—	215
Share-based payments charge	22	351	440	821
		$ 617	$ 524	$ 1,357

7. Loss per share

The calculation of basic and diluted earnings per share is based on the following data:

	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
Loss after tax (Thousands of $)	$ (12,403)	$ (15,969)	$ (33,167)
Weighted average number of shares	746,140,603	695,977,165	715,991,612
Basic and diluted loss per share ($)	$ (0.02)	$ (0.02)	$ (0.05)

There is no difference between the diluted loss per share and the basic loss per share presented. Due to the loss incurred in the period the effect of the share options in issue is anti-dilutive.

At June 30, 2012, there were 57,470,000 (June 30, 2011: 62,725,000; December 31, 2011: 64,145,000) share options in issue, which would have a potentially dilutive effect on the basic profit per share in the future.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

8. Mineral properties

(Thousands of $)	Mining assets	Surface rights acquired	Assets in the course of construction	Total
Cost				
At January 1, 2011	$ 2,037	$ 1,589	$ —	$ 3,626
Additions	2,951	—	—	2,951
Exchange differences	—	(71)	—	(71)
At June 30, 2011	4,988	1,518	—	6,506
Additions	—	2,266	405	2,671
Exchange differences	(704)	27	—	(677)
At December 31, 2011	4,284	3,811	405	8,500
At January 1, 2012	4,284	3,811	405	8,500
Additions	93	—	2,003	2,096
Disposals	(271)	—	—	(271)
Exchange differences	(205)	(316)	(19)	(540)
At June 30, 2012	$ 3,901	$ 3,495	$ 2,389	$ 9,785
Amortization				
At January 1, 2011	$ —	$ —	$ —	$ —
Charge for the period	—	—	—	—
Exchange differences	—	—	—	—
At June 30, 2011	—	—	—	—
Charge for the period	81	—	—	81
Exchange differences	—	—	—	—
At December 31, 2011	81	—	—	81
At January 1, 2012	81	—	—	81
Charge for the period	101	—	—	101
Exchange differences	(7)	—	—	(7)
At June 30, 2012	$ 175	$ —	$ —	$ 175
Net book value				
At June 30, 2011	4,988	1,518	—	6,506
At December 31, 2011	4,203	3,811	405	8,419
At June 30, 2012	3,726	3,495	2,389	9,610

The Lomada Project has completed the trial production phase and will be entering full production phase in 2012. From September 1, 2010 all exploration costs incurred in respect of the project have been capitalised as mineral properties – mining assets.

From March 1, 2011, exploration costs on the COSE Project have been capitalised as mineral properties – assets in the course of construction, prior to the receipt of full permitting for extraction of the ore body.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

9. Property, plant and equipment

(Thousands of $)	Office equipment and vehicles	Machinery and equipment	Buildings	Plant	Improvements and advances	Total
Cost						
At January 1, 2011	$ 257	$ 434	$ 195	$ 255	$ —	$ 1,141
Additions	357	1,263	112	1,286	—	3,018
Disposals	—	—	—	—	—	—
Exchange differences	(1)	(13)	17	(7)	—	(4)
At June 30, 2011	613	1,684	324	1,534	—	4,155
Additions	155	3,218	755	357	—	4,485
Disposals	(11)	—	—	—	—	(11)
Exchange differences	(10)	(19)	(152)	(11)	—	(192)
At December 31, 2011	747	4,883	927	1,880	—	8,437
At January 1, 2012	747	4,883	927	1,880	—	8,437
Additions	38	407	147	372	1,982	2,946
Disposals	—	(1)	—	—	—	(1)
Exchange differences	(24)	(234)	89	(90)	—	(259)
At June 30, 2012	761	5,055	1,163	2,162	1,982	11,123
Depreciation						
At January 1, 2011	142	191	7	—	—	340
Disposals	—	—	—	—	—	—
Charge for the period	48	94	3	—	—	145
Exchange differences	(1)	(4)	—	—	—	(5)
At June 30, 2011	189	281	10	—	—	480
Disposals	(11)	—	—	—	—	(11)
Charge for the period	67	543	19	40	—	669
Exchange differences	(11)	(37)	(1)	(2)	—	(51)
At December 31, 2011	234	787	28	38	—	1,087
At January 1, 2012	234	787	28	38	—	1,087
Disposals	—	(1)	0	0	—	(1)
Charge for the period	59	271	8	63	—	401
Exchange differences	(9)	(45)	(2)	(4)	—	(60)
At June 30, 2012	284	1,012	34	97	—	1,427
Net book value						
At June 30, 2011	424	1,403	314	1,534	—	3,675
At December 31, 2011	513	4,096	899	1,842	—	7,350
At June 30, 2012	477	4,043	1,129	2,065	1,982	9,696

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

10. Mining rights

(Thousands of $)		**Amount**
At January 1, 2011	$	—
Additions		3,986
At December 31, 2011 and June 30, 2012	$	3,986

On October 14, 2011, Patagonia, 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 approximately 100,000 hectares of 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 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. Over a five year period, the Company through PGSA is required to invest $5.0 million in exploration expenditures on the properties contributed by Fomicruz, whose rights to explore and mine were contributed to PGSA as part of the Fomicruz Agreement. The Company will manage the exploration and potential future development of the PGSA properties.

Fomicruz contributed to PGSA certain mining rights in exchange for a 10% equity interest in PGSA. Pursuant to IFRS 2 *Share-based Payment*, 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 $4.0 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 the consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest.

Since mining rights were acquired by the Group in October 2011, management has not yet carried out a review of the carrying value to determine if there is any indication that the assets have suffered an impairment loss.

The mining rights acquired by PGSA are for a forty-year period from the date of the agreement. As indicated above, these mining rights have been recorded as an intangible asset and will be amortized on a straight-line basis over forty years commencing in 2012.

The consolidated financial statements of the Group include 100% of the operating losses, assets and liabilities of PGSA and do not recognise the non-controlling interest of Fomicruz, as there is no certainty that PGSA will produce revenue and pay dividends in the future in order to recover Fomicruz's share of exploration costs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

11. Other receivables

Non-current assets

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
Recoverable VAT	$ 8,415	$ 5,522	$ 6,536

The Directors consider recoverable VAT at June 30, 2012 to be recoverable in full based on post year-end approvals set by the Mining Secretary in Argentina.

12. Trade and other receivables

Current assets

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
Recharge of costs owed by Landore Resources Limited (Note 21)	$ 6	$ 25	$ 1
Recoverable VAT	10	24	35
Other receivables	238	106	241
Prepayments and accrued income	141	124	83
	$ 395	$ 279	$ 360

All trade and other receivable amounts are short-term.

The carrying value of all trade and other receivables is considered a reasonable approximation of fair value.

There are no past due debtors.

13. Available-for-sale financial assets

The Company holds available-for-sale financial assets in listed equity securities that are publically traded on the AIM. Fair values have been determined by reference to their quoted bid prices at the reporting date. During the six months ended June 30, 2012, the Company recorded an unrealised loss in the amount of $37.4 thousand (six months ended June 30, 2011: $41.8 thousand), which is included in accumulated other comprehensive income.

In June 2012, the Company purchased Argentine bonds (BODEN 2012) for $7.0 million, which were transferred to its Argentine subsidiaries as capital contributions. The debt securities were treated as available-for-sale financial assets as they are quoted in active markets. Fair values have been determined by reference to their quoted bond prices at the reporting date. During the six months ended June 30, 2012, the Company recorded investment income on redemption of the bonds of $3.3 million (six months ended June 30, 2011: $nil). In addition, an unrealised gain of $32.6 thousand (six months ended June 30, 2011: $nil) was included in accumulated other comprehensive income on the bonds outstanding as at June 30, 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

14. Inventory

Inventory comprises gold held on carbon resulting from the trial heap leach operation at the Lomada Project and is valued by reference to the costs of extraction and processing.

15. Cash and cash equivalents

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
Bank and cash balances	$ 595	$ 4,986	$ 3,833
Short-term deposits	960	27,197	7,493
	$ 1,555	$ 32,183	$ 11,326

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of an outstanding bank overdraft. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
Cash and cash equivalents per the consolidated statement of financial position	$ 1,555	$ 32,183	$ 11,326
Bank overdraft	(11)	—	(380)
Cash and cash equivalents per the consolidated statement of cash flows	$ 1,544	$ 32,183	$ 10,946

16. Finance lease obligations

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
Within one year	$ 57	$ —	$ —
Within two to three years	50	—	—
	$ 107	$ —	$ —

At June 30, 2012 PGSA had signed two finance lease agreements for the use of a Bobcat handler and an IVECO bus for the term of 36 and 31 months, respectively. The amount of outstanding installments, split by due date is shown above.

17. Trade and other payables

Current liabilities			
Trade and other payables	$ 4,675	$ 4,350	$ 6,497
Accruals and deferred income	400	335	745
	$ 5,075	$ 4,685	$ 7,242

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

18. Overdraft facility

The Company entered into an overdraft facility with Quilvest Switzerland Ltd ("Quilvest") in the amount of $3.5 million. The overdraft facility bared interest at 2.73% per annum and was secured by a Director and shareholder of the Company. For the six month period ending June 30, 2012, the Company utilised and repaid $3.5 million. As at June 30, 2012, the overdraft facility is not active.

19. Long-term accruals and provisions

Non-current liabilities

(Thousands of $)	As at June 30, 2012	As at June 30, 2011	As at December 31, 2011
Long-term provisions	$ 894	$ 412	$ 852

The carrying values of the long-term provisions are considered to be a reasonable approximation of fair value. The timing of any resultant cash outflows being uncertain by their nature. The movement in the long-term provisions comprise of the following:

(Thousands of $)	Reclamation and remediation provision(i)	Tax provision(ii)	Other(iii)	Total
Balance at January 1, 2012	$ 191	$ 429	$ 232	$ 852
Additions	93	—	—	93
Payments	—	—	(11)	(11)
Exchange differences	(9)	(20)	(11)	(40)
Balance at June 30, 2012	$ 275	$ 409	$ 210	$ 894

(i) Reclamation and remediation provision relates to the environmental impact of works undertaken at the balance sheet date.

(ii) This amount relates to local Argentine tax provisions.

(iii) See Note 25.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

20. Share capital

Authorised

1,000,000,000 ordinary shares of 1 pence each

Issued and fully paid ordinary shares of 1 pence each ($0.016)	Number of ordinary shares	Amount
At January 1, 2011	675,852,783	$ 10,454
Issue by placing	57,738,095	933
Exercise of option	950,000	15
Exchange difference on translation to $	—	363
At June 30, 2011	734,540,878	11,765
At January 1, 2011	675,852,783	$ 10,454
Issue by placing	57,738,095	933
Exercise of option	2,900,000	46
Exchange difference on translation to $	—	(52)
At December 31, 2011	736,490,878	11,381
At January 1, 2012	736,490,878	11,381
Issue by placing	32,000,000	495
Exercise of option	11,175,000	177
Exchange difference on translation to $	—	122
At June 30, 2012	779,665,878	$ 12,175

On June 6, 2012, the Company placed 32,000,000 new ordinary shares, each at a price of 25 pence per share ($12.4 million). The cost of these placements totalled $0.3 million (£0.2 million) resulting in net proceeds of $12.1 million (£7.8 million). $0.5 million (£0.3 million) of the net proceeds are included in share capital and the balance of $11.6 million (£7.5 million) is included in share premium.

During the six months ended June 30, 2012, the Company allotted a total 11,175,000 new ordinary shares pursuant to the exercise of share options for total gross proceeds of $1.8 million (£1.1 million). $0.2 million (£0.1 million) of the gross proceeds is included in share capital and the balance of $1.6 million (£1.0 million) is included in share premium. Details of the share options exercised are as follows:

Date of share issue	Numer of shares	Date options exercised
March 9, 2012	425,000	February 28, 2012
March 9, 2012	100,000	February 29, 2012
March 19, 2012	3,500,000	March 8, 2012
March 19, 2012	3,500,000	March 12, 2012
March 19, 2012	3,500,000	March 13, 2012
May 30, 2012	25,000	May 15, 2012
June 1, 2012	25,000	May 23, 2012
June 11, 2012	100,000	May 16, 2012
	11,175,000	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

21. Operating lease commitments

At the balance sheet date, the Group had outstanding annual commitments under non-cancellable operating leases. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are:

(Thousands of $)		As at June 30, 2012		As at June 30, 2011		As at December 31, 2011
Operating leases which expire:						
Within one year	$	234	$	133	$	1,086
Within two to five years		184		364		2,541
	$	418	$	497	$	3,627

The Group has a number of operating lease agreements involving office and warehouse space with maximum terms of three years. Furthermore, additional commitments exist relating to the construction of the gold processing facilities for the Lomada Project. In the six months ending June 30, 2012, $0.1 million (six months ending June 30, 2011: $0.1 million) of operating lease payments were recognised as an expense within exploration.

22. Related parties

During the year, the following transactions were entered into with related parties (see also note 18):

(Thousands of $)	Note		Six months ended June 30, 2012		Six months ended June 30, 2011		Year ended December 31, 2011
Landore Resources Limited	(i)	$	30	$	40	$	118
Cheyenne S.A.	(ii)		56		—		40
MB Holding S.A.	(iii)		6		22		26
Agropecuaria Cantomi S.A.	(iv)		26		21		46
Lusemana S.A.	(v)		19		20		40
El Salvador 4040 S.A.	(vi)		23		17		38

(i) During the period the Company recharged costs, consisting mainly of accommodation and travel expenses, to Landore Resources Limited ("Landore") and there was a balance owing to the Company from Landore at June 30, 2012 of $6.0 thousand (June 30, 2011: 25.0; December 31, 2011: $1.0 thousand). Landore is a related party because William H. Humphries is a Director and shareholder.

(ii) During the period the Group paid Cheyenne S.A. ("Cheyenne") for the provision of a private plane to facilitate occasional travel to outlying areas for Directors and senior employees. Cheyenne is a related party because Carlos J. Miguens is a Director and shareholder.

(iii) During the period the Group paid MB Holding S.A. ("MB") for the provision of an office and related administrative services in Buenos Aires. MB is a related party because Carlos J. Miguens is a Director and shareholder.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

(iv) During the period the Group paid to Agropecuaria Cantomi S.A. ("Agropecuaria") for the provision of an office in Buenos Aires. Agropecuaria is a related party because Carlos J. Miguens is a Director and shareholder.

(v) During the period the Group paid Lusemana S.A. ("Lusemana") for the provision of an office in Buenos Aires. Lusemana is a related party because Diego Miguens is a shareholder.

(vi) During the period the Group paid El Salvador 4040 S.A. ("El Salvador 4040") for the provision of an office in Buenos Aires. El Salvador 4040 is a related party because Cristina Miguens is a shareholder.

23. Share-based payments

The Group operate a share option plan under which certain employees and directors have been granted options to subscribe for ordinary shares of the Company.

The number and weighted average exercise prices of share options are as follows:

	June 30, 2012			December 31, 2011		
	Weighted average exercise price pence	$	Number of options	Weighted average exercise price pence	$	Number of options
Oustanding at the beginning of the period	20.33	$0.314	64,145,000	11.28	$0.174	49,450,000
Granted during the period	42.5	0.67	4,500,000	44.66	0.176	17,595,000
Exercised during the period	9.91	0.156	(11,175,000)	13.43	0.215	(2,900,000)
Oustanding and exercisable at the end of the period	24.10	$0.380	57,470,000	20.33	$0.314	64,145,000

Options outstanding at June 30, 2012 have an exercise price in the range of $0.107 (6.875p) per option to $0.984 (63.00p) per option and a weighted average contractual life of 6.98 years.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Details of contractual life and assumptions used in the model are disclosed in the table below.

	Six months ended June 30, 2012	Year ended December 31, 2011
Weighted average share price	40.52p ($0.639)	40.77p ($0.630)
Exercise price	40.79p ($0.643)	41.36p ($0.639)
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	61.12%	59.45%
Dividend yield	nil	nil
Option life (maximum)	10 years	10 years
Risk free interest rate (based on national government bonds)	0.5%	0.5%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options).

All options are share settled and there are no performance conditions attached to the options.

Amounts expensed for the year from share-based payments are as follows:

(Thousands of $)	Six months ended June 30, 2012	Six months ended June 30, 2011	Year ended December 31, 2011
Share-based payments charge	$ 2,038	$ 6,951	$ 8,481

The share-based payments charge is a non-cash item.

The total number of options over ordinary shares outstanding at June 30, 2012 was as follows:

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
September 10, 2002	Employee	25,000	8.0	0.20
February 18, 2004	Directors	5,187,000	8.0	1.64
November 23, 2004	Senior management	500,000	14.75	2.40
June 22, 2005	Senior management and employee	150,000	7.5	2.98
December 6, 2005	Senior management	100,000	8.0	3.43
May 17, 2006	Senior management	200,000	14.5	3.88
March 1, 2007	Employees	100,000	6.875	4.67
May 23, 2007	Senior management	200,000	8.0	4.90
June 5, 2007	Director and employees	1,175,000	8.0	4.93
June 5, 2007	Employee	25,000	10.5	4.93
June 3, 2008	Director and employees	1,175,000	8.0	5.93
June 9, 2009	Employees	1,175,000	12.0	6.94
June 9, 2009	Directors	1,400,000	8.0	0.75
June 23, 2009	Directors and senior management	17,913,000	12.25	6.98
June 17, 2010	Directors and employees	5,850,000	15.00	7.97
August 1, 2010	Employee	300,000	15.00	8.09
February 10, 2011	Directors	5,500,000	50.00	8.62
February 21, 2011	Senior management	800,000	50.00	8.65
May 9, 2011	Employees	500,000	43.50	8.86
May 13, 2011	Directors and senior management	4,400,000	42.25	8.87
May 24, 2011	Senior management	1,000,000	39.00	10.40
June 10, 2011	Employees	2,175,000	40.00	8.95
August 14, 2011	Former Directors	900,000	13.65	0.75
August 15, 2011	Employee	200,000	62.00	9.13
September 1, 2011	Senior management	500,000	63.00	9.18
November 1, 2011	Directors	1,500,000	50.25	9.34
December 6, 2011	Employee	20,000	54.00	9.44
January 31, 2012	Directors and senior management	4,500,000	42.50	9.59
Total		57,470,000		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED) *continued*

24. Financial commitments

Property, plant and equipment

For the six month period ended June 30, 2012, the Group had entered into contracts totalling $1.8 million (six months ended June 30, 2011: $nil) with several vendors related to the purchase of equipment and construction of facilities. These amounts are payable in 2012.

Fomicruz Agreement

The Company will invest $5.0 million on exploration expenditures on the mining properties acquired from Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz") over a five year period.

Barrick Agreement

In March 2011, Patagonia agreed with Barrick Exploraciones Argentina S.A. and Minera Rodeo S.A. (the "Barrick Sellers") to amend the original property acquisition agreement regarding the Cap-Oeste, COSE, Manchuria and Lomada gold and silver deposits, whereby the "Back in Right" was exchanged for a 2.5% NSR royalty, effective immediately. The NSR royalty does not apply to the Company's Santa Cruz properties acquired outside the property acquisition agreement with the Barrick Sellers, or to those acquired in the Fomicruz Agreement. A liability for potential future NSR payments has not been recognised since the Company is unable to reliably measure such a liability as the project has not yet commenced production and there is no certainty over the timing of potential future production.

A further cash payment of $1.5 million will become payable to the Barrick Sellers upon the delineation of 200,000 oz. or greater of gold or gold equivalent NI 43-101 Indicated Resource on the La Paloma Property Group.

25. Contingent liability

In October 2011, following a fatal road traffic accident in Argentina, three non-judicial claims outside of the life insurance policy held by PGSA, were filed against PGSA. As at September 13, 2012, these claims remain outstanding and a provision of AR$950 thousand ($210 thousand) has been recorded as of June 30, 2012.

26. Subsequent events

Overdraft Facility

On July 06, 2012 and September 6, 2012, the Company obtained approval and re-entered into an overdraft facility with Quilvest in the amount of $1.5 million and $2.2 million, respectively. The overdraft facility bared interest at 2.73% per annum.

Available-for-sale financial assets

On July 6, 2012, the Company purchased additional debt securities in the form of Argentine bonds (BODEN 2012) for $1.5 million. All the bonds were sold in tranches in July 2012, for a net investment gain of $0.7 million.

On September 6, 2012, the Company purchased additional debt securities in the form of Argentine bonds (BODEN 2012) for $2.0 million.

Patagonia Gold Plc

CORPORATE AND SHAREHOLDER INFORMATION

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Carlos J. Miguens
Non-Executive Deputy Chairman

William H. Humphries
Managing Director

Gonzalo Tanoira
Finance Director

Marc J. Sale
Technical Director

Edward J. Badida
Non-Executive Director

Gary A. Sugar
Non-Executive Director

Officers

William H. Humphries
Chief Executive Officer

Philip C. Yee
Chief Financial Officer

Matthew Boyes
Chief Operations Officer

Nigel F. Everest
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