Patagonia Gold PLC : Half Yearly Report

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Patagonia Gold PLC
18 September 2009

Patagonia Gold Plc
('PGD' or 'the Company')

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS

for the six months ended 30 June 2009

CHAIRMAN'S STATEMENT

I am pleased to present the Company's interim report for the six months ended 30 June 2009.

The financial results show a loss of £4,359,801 (£2,931,639: 2008). The loss increased by £1,263,468 as a result of expenses being recognised in relation to the grant of new options and the repricing of previous options. The remainder of these costs are in line with expectations and highlight the exploration activity that has taken place on our portfolio of Santa Cruz properties. The direct exploration costs incurred in the six month period were £2,524,069.

These exploration activities have been financed through the share placement in March 2009 at 7.75p per share which raised £8,828,975 after costs. The fund raising was again supported by our largest institutional shareholder, Blackrock Gold and General Fund, who have an interest of 9.03%. This issue was oversubscribed and the shares have been trading at a premium since then. As a result of this the Company is more than fully funded for the rest of it's exploration programme in 2009, the bank balances at 30th June 2009 were approximately £5.3 million.

You will see from the operations report , which follows, that the exploration activities are progressing well and the Company is advancing towards becoming a gold producer , initially on a modest scale.

Sir John Craven

Chairman

17th September 2009

OPERATIONS REPORT

During the first half of the year our activities have been focused on the development of the Lomada de Leiva Gold Project and the expansion of the Resource Base on the Cap Oeste Gold/Silver Project.

In April we finalised the strategic partnership with Formicruz. Each party has contributed approximately 100,000 hectares in the Santa Cruz province. PGSA retains a 90% stake in the new venture with operational responsibility whilst Formicruz will assist with the permitting process and environmental and social issues.

La Paloma Property

The La Paloma property block, covering over 44 sq kilometres, is located approximately 40 kilometres to the south of the town of Perito Moreno in the Santa Cruz province of Argentina and contains the Lomada de Leiva gold project and the adjacent Breccia Sofia prospect.

Lomada de Leiva Gold Project

This project, containing a resource of approximately 235,000 ounces of gold, is now in the development stage towards a producing gold mine.

A development engineer has recently been appointed whose responsibility will be for the trial and main heap leach projects. Metallurgical testing, carried out by SGS Lakefield in Chile, has been completed and a minimum of 65% gold was recovered from uncrushed material. Recovery is expected to improve with mined ore due to blast fracturing of the material.
The Environmental Impact Study for exploration and exploitation is being prepared for submission by our consultants Vectors. A preliminary design for the trial heap leach has been prepared and independent engineers are preparing quotations for the engineering of the trial and main heap leach. Final baseline studies have been completed and are currently being reviewed.

Our JV Partners, Formicruz, are assisting with consultations with the mines department and the applications for the required permits.
The timetable is set for initial production in late 2009 and full scale production to 20,000 oz per annum by the end 2010.

El Tranquilo Property

The El Tranquilo property block covering over 40 square kilometres, contains the Cap-Oeste Gold and Silver Project as well as the Breccia Valentina and Vetas Norte Prospects.

Cap-Oeste Gold and Silver Project

The initial drill programme on Cap-Oeste, completed in May 2008, established a Canadian National Instrument 43-101 compliant resource of 304,099 ounces of gold and 6,929,825 ounces of silver with just 11,328 metres of drilling.

We recently completed a second drilling campaign, comprising 61 drill-holes for a total of 14,677 metres, concentrating on the high grade Main shoot (averaging 13.17g/t gold and 228g/t silver in the initial resource) of the Bonanza fault.

The high grade gold and silver values encountered support the interpretation that the Main shoot will continue deeper and maintain the robust gold and silver tenor.

All results from the drilling campaign have now been received and are currently being processed for inclusion into the planned resource upgrade. Details of these results are shown in recent press releases on the website, www.patagoniagold.com

PGD has retained Micon of Toronto, Canada, to independently prepare a resource upgrade at Cap-Oeste, which complies with Canada National Instrument 43-101 (NI 43-101). The report is scheduled for completion in October 2009.

Additional drilling to be carried out in the forthcoming drilling campaign will continue to explore the deeper levels of the Main shoot as well as the highly promising sub-parallel shoots within the Cap-Oeste resource area.

Exploration

Exploration drilling, completed on six separate prospects within 5 kilometres of the Cap-Oeste gold and silver deposit, has returned highly encouraging results. A Reverse Circulation (RC) drilling campaign of 2,252 metres has been completed on the Don Pancho, Vetas Norte, Puma and Felix prospects, all located within 5 kilometres of Cap-Oeste. A further 921 metres of RC and diamond drilling was completed on the Pampa and Cap-Oeste South East (COSE) prospects located on the north-west and south-east extensions of the Cap-Oeste trend (Bonanza fault).

The Don Pancho prospect is located in a flex in the Breccia Valentina trend. Results from trench assays were proportionately similar to the original trenching results from the Cap-Oeste gold-silver deposit which is only 1,100 metres to the south west. Drilling on a short section of the trend has confirmed the presence of high grade gold and silver within a silicified brecciated structure.
Don Pancho remains open at depth as well as along strike to the south east and to the north-west where it would intersect the Bonanza fault in the vicinity of the Pampa prospect.

The Vetas Norte prospect contains an area of epithermal quartz blocks which in sawn channel samples over the limited outcropping vein material returned up to 2.1m @ 0.68 g/t Au. Textural evidence indicates increased potential for mineralisation at depth. Drill results beneath the outcrops have confirmed this model.

The Felix prospect contains both low sulphidation quartz veining as well as low angle silicified brecciated structures. Geological evidence suggests that this prospect is also in the upper levels of a mineralised system. Drilling has confirmed the gold - silver mineralisation of the area, intersecting broad zones of mineralisation and high grade gold.

Drilling along the Cap-Oeste trend (Bonanza fault) also returned very encouraging results.

The COSE prospect is centred on an extensive geophysical chargeability high located 2 kilometres to the south-east of Cap-Oeste. Two holes drilled into the interpreted strike extension of the Bonanza fault intersected chalcedonic vein.

The Pampa prospect, located 2.5 kilometres to the north-west of Cap-Oeste and also centred on an extensive geophysical chargeability high, returned high grade values in chalcedonic veinlets at a vertical depth of less than 90m. This prospect, along strike from Cap-Oeste and straddling the intersection of the Don Pancho trend, is considered highly prospective for a repetition of the Cap-Oeste main shoot.

Follow up drilling is planned for all of the above prospects commencing October 2009.
Full details of all of the drilling results are shown on the website www.patagoniagold.com

Exploration programme for second half of 2009

Exploration activities which commenced in September 2009 are continuing to focus on expanding the Cap-Oeste gold and silver deposit together with Resource drilling on the high grade gold and silver Manchuria prospect.

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Unaudited condensed consolidated interim statement of comprehensive income
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months to 30 June 2009 (unaudited)	*Six months to 30 June 2008 (unaudited)*	*Year to 31 December 2008 (audited)*
	£	*£*	*£*
Continuing operations			
Exploration costs	(2,524,069)	(2,280,714)	(4,523,460)
Administrative costs			
Share based payments charge	(1,263,468)	(92,741)	(92,741)
Other administrative costs	(585,641)	(585,638)	(1,249,689)
	(1,849,109)	(678,379)	(1,342,430)
Finance income	19,455	28,775	67,318
Finance costs	(6,078)	(1,321)	(4,822)
Loss for the period	(4,359,801)	(2,931,639)	(5,803,394)
Other comprehensive (loss)/income			
Revaluation of available-for-sale Financial assets	(21,569)	(30,195)	(34,509)
Exchange differences on translation of foreign operations	(773,123)	21,146	346,049
Other comprehensive (loss)/income for the period	(794,692)	(9,049)	311,540
Total comprehensive loss for the period	(5,154,493)	(2,940,688)	(5,491,854)
Loss per share (pence)			
Basic loss per share	(0.79)	(0.73)	(1.37)
Diluted loss per share	(0.79)	(0.73)	(1.37)

Unaudited condensed consolidated interim balance sheet

AT 30 JUNE 2009

	30 June 2009 (unaudited)	*30 June 2008 (unaudited)*	*31 December 2008 (audited)*
	£	*£*	*£*
ASSETS			
Non-current assets			
Property, plant and equipment	582,350	82,294	739,234
Available for sale financial assets	90,588	116,471	112,157
Other receivables	1,351,925	731,686	1,301,301
	2,024,863	930,451	2,152,692
Current assets			
Trade and other receivables	64,512	241,781	64,779
Cash at bank and in hand	5,334,470	53,049	1,069,373
	5,398,982	294,830	1,134,152
Total assets	7,423,845	1,225,281	3,286,844
LIABILITIES			
Current liabilities			
Trade and other payables	(695,296)	(907,546)	(1,468,200)

Non-current liabilities			
Long-term accruals and provisions	(179,013)	-	(207,058)
Total liabilities	(874,309)	(907,546)	(1,675,258)
Net assets	6,549,536	317,735	1,611,586
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	5,935,528	4,029,229	4,735,528
Share premium account	40,968,347	30,200,654	33,339,372
Translation reserve	(323,167)	125,053	449,956
Share based payment reserve	1,468,809	205,341	205,341
Retained loss	(41,499,981)	(34,242,542)	(37,118,611)
Total equity	6,549,536	317,735	1,611,586

Unaudited condensed consolidated interim statement of changes in equity
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	*Share premium account*	*Translation reserve*	*Share based payment reserve*	*Retained loss*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Balance at 1 January 2008	3,579,229	28,400,654	103,907	112,600	(31,280,708)	915,682
Changes in equity for first half of 2008						
Share based payment	-	-	-	92,741	-	92,741
Issue of share capital						
Issue by placing	450,000	1,800,000	-	-	-	2,250,000
Transactions with owners	4,029,229	30,200,654	103,907	205,341	(31,280,708)	3,258,423
Loss for the period	-	-	-	-	(2,931,639)	(2,931,639)
Other comprehensive income/(loss):						
Revaluation of available-for-sale financial assets	-	-	-	-	(30,195)	(30,195)
Exchange differences on translation of foreign operations	-	-	21,146	-	-	21,146
Total comprehensive income/(loss) for the period	-	-	21,146	-	(2,961,834)	(2,940,688)
Balance at 30 June 2008	4,029,229	30,200,654	125,053	205,341	(34,242,542)	317,735
Balance at 1 January 2008	3,579,229	28,400,654	103,907	112,600	(31,280,708)	915,682
Changes in equity for 2008						
Share based payment	-	-	-	92,741	-	92,741
Issue of share capital						
Issue by placing	1,156,299	4,938,718	-	-	-	6,095,017
Transactions with owners	4,735,528	33,339,372	103,907	205,341	(31,280,708)	7,103,440
Loss for the period	-	-	-	-	(5,803,394)	(5,803,394)
Other comprehensive income/(loss):						
Revaluation of available-for-sale financial assets	-	-	-	-	(34,509)	(34,509)
Exchange differences on translation of foreign operations	-	-	346,049	-	-	346,049
Total comprehensive income/(loss) for the period	-	-	346,049	-	(5,837,903)	(5,491,854)

Balance at 31 December 2008	4,735,528	33,339,372	449,956	205,341	(37,118,611)	1,611,586
Changes in equity for first half of 2009						
Share based payment	-	-	-	1,263,468	-	1,263,468
Issue of share capital						
Issue by placing	1,200,000	7,628,975	-	-	-	8,828,975
Transactions with owners	5,935,528	40,968,347	449,956	1,468,809	(37,118,611)	11,704,029
Loss for the period	-	-	-	-	(4,359,801)	(4,359,801)
Other comprehensive income/(loss):						
Revaluation of available-for-sale financial assets	-	-	-	-	(21,569)	(21,569)
Exchange differences on translation of foreign operations	-	-	(773,123)	-	-	(773,123)
Total comprehensive loss for the period	-	-	(773,123)	-	(4,381,370)	(5,154,493)
Balance at 30 June 2009	5,935,528	40,968,347	(323,167)	1,468,809	(41,499,981)	6,549,536

Unaudited condensed consolidated interim cash flow statement
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months to 30 June 2009 *(unaudited)* £	*Six months to 30 June 2008* *(unaudited)* £	*Year to 31 December 2008* *(audited)* £
Cash flow from operating activities			
Loss after taxation	(4,359,801)	(2,931,639)	(5,803,394)
Adjustment for:			
Interest income	(19,455)	(28,775)	(67,318)
Depreciation and impairment	16,734	14,006	32,179
(Increase) in trade and other receivables	(50,357)	(397,521)	(790,134)
(Decrease)/Increase in trade payables	(772,904)	372,624	933,278
(Decrease)/Increase in long-term provisions	(28,045)	-	207,058
Share based payments	1,263,468	92,741	92,741
Net cash used in operating activities	(3,950,360)	(2,878,564)	(5,395,590)
Cash flows from investing activities			
Interest received	19,455	28,775	67,318
Purchase of property, plant and equipment	(5,714)	(30,101)	(705,214)
Net cash from investing activities	13,741	(1,326)	(637,896)
Cash flows from financing activities			
Proceeds from issue of share capital	8,828,975	2,250,000	6,095,017
Net cash from financing activities	8,828,975	2,250,000	6,095,017
Net increase/(decrease) in cash and cash equivalents	4,892,356	(629,890)	61,531
Cash and cash equivalents at beginning of period	1,069,373	661,793	661,793
Effects of foreign exchange movements	(627,259)	21,146	346,049
Cash and cash equivalents at end of period	5,334,470	53,049	1,069,373

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 30 June 2009. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008. These financial statements have been prepared under the historical cost convention, except for revaluation of certain properties and financial instruments. The auditor's report on those financial statements was not qualified and did not contain a statement under section 237(2) of the Companies Act 1985.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007).

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the six months ended 30 June 2009 and 30 June 2008 is unaudited.

Going concern

These interim condensed consolidated financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding will be required.

The Directors have prepared cash flow information for the 12 months from the date of this statement which will be financed from the fundraising in March 2009. The Directors are confident that the Group will be able to secure additional funding to enable it to continue to meet its commitments as they fall due and to undertake the current planned programme of activity over the 12 months from the date of this Report.

The financial statements do not include any adjustments, particularly in respect of tangible fixed assets, investments, loans and provisions for winding up which would be necessary if the Company and Group ceased to be a going concern.

2. Summary of significant accounting policies

The following accounting policies have been applied consistently in respect of items which are considered material in relation to the Group's financial statements.

Equity settled share-based payment

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to 'share-based payment reserve'.

Modifications to the terms and conditions of a grant of share options to which IFRS 2 has not been previously applied have been recognised to account for any such modifications. The incremental fair value arising between the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification has been recognised in the income statement in line with the share option vesting conditions.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings made up to each period end. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Exploration expenditure

When the Group has incurred expenditure on mining properties that have not reached the stage of commercial production the costs of acquiring the rights to such properties, and related exploration and development costs are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. Exploration costs on properties where insufficient exploration has taken place to ascertain future recoverability are expensed.

Where mining properties are abandoned, the deferred expenditure is written-off in full.

Impairment testing of other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Other individual assets or cash-generating units that include other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged *pro rata* to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Foreign currency

These condensed consolidated interim financial statements are presented in British pounds sterling (GBP), which is also the functional currency of the parent Company.

Foreign currency transactions are translated from the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In these consolidated interim financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP (the Group's presentation currency) are translated into GBP upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expenses have been translated into GBP at the average rate over the reporting period.

Exchange differences are charged /credited to income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

Financial assets

Financial assets can be divided into the following categories:

- cash and cash equivalents
- loans and receivables
- available-for-sale financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the income statement or charged directly against equity.

The Group generally recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the income statement line item 'finance costs' or 'finance income', respectively.

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest
method, less provision for impairment. Any change in their value is recognised in profit or loss. The Group's other receivables fall into this category of financial instruments.

Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the/statement of changes in equity/statement of recognised income and expense. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

An assessment for impairment is undertaken at least at each balance sheet date.

The Group has no financial assets at fair value through profit or loss or held-to-maturity investments.

Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

3. Employee share schemes

On 19 January 2009 the Board of Directors agreed, following a recommendation from the Company's remuneration committee and subject to subsequent approval by shareholders at the Company's Annual General Meeting (AGM), to re-price certain outstanding share options that had been issued to employees who remain within the Group in order to incentivise those individuals and to reflect a more realistic price level given the market in the Company's shares at the time. A total of 16,787,000 share options were re-priced at 8p, being a 10 per cent. premium to the mid-market price at close of business on 19 January 2009. The re-pricing was duly approved by the passing of an Ordinary Resolution at the AGM held on 9 June 2009.

On 23 June 2009 the Group issued 21,413,000 options at an exercise price of 12.25p per Ordinary share.

The total expenses recognised for the period arising from share based payments are as follows:

	Six months to 30 June 2009 £	*Six months to 30 June 2008 £*
Equity settled share based payments	878,666	92,741
Re-pricing of previously settled share based payments	384,802	-
	1,263,468	92,741

4. Share issue

Shares issued and authorised for the period to 30 June 2009 may be summarised as follows:

6 months to 30 June 2009 - unaudited

Authorised 1,000,000,000 ordinary shares of 1 pence each		*£*
At 1 January 2009	473,552,783 ordinary shares of 1 pence each	4,735,528
Issue of shares	120,000,000 ordinary shares of 1 pence each	1,200,000
At 30 June 2009	593,552,783 ordinary shares of 1 pence each	5,935,528

6 months to 30 June 2008 - unaudited

Authorised 1,000,000,000 ordinary shares of 1 pence each		*£*
At 1 January 2008	357,922,913 ordinary shares of 1 pence each	3,579,229
Issue of shares	45,000,000 ordinary shares of 1 pence each	450,000
At 30 June 2008	402,922,913 ordinary shares of 1 pence each	4,029,229

Year to 31 December 2008 - audited

Authorised 1,000,000,000 ordinary shares of 1 pence each		*£*
At 1 January 2008	357,922,913 ordinary shares of 1 pence each	3,579,229
Issue of shares	115,629,870 ordinary shares of 1 pence each	1,156,299
At 31 December 2008	473,552,783 ordinary shares of 1 pence each	4,735,528

The shares issued in the 6 months to 30 June 2009 yielded £8,828,975 in cash after costs and the weighted average share price was 7.75p.

5. Acquisition of Barrick's property portfolio in Santa Cruz Argentina

A further cash payment of US$1.5 million will become payable to Barrick 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. In addition PGSA has granted Barrick an option to buy back up to a 70 per cent. interest in any particular property group upon the delineation of the greater of 2 million oz of gold or gold equivalent (NI 43-101 Indicated Resource) on that Property group.

Under the terms of the acquisition agreement, PGSA committed to complete a minimum level of expenditure of US$10 million on the Properties over a five year period. This included a commitment of US$1.5 million in the first 18 months. These commitments were satisfied by 31 December 2008. At 30 June 2009 expenditure on these Properties amounted to approximately US$17.13 million (2008: US$7.59 million).

6. Loss per share

The potential ordinary shares which arise as a result of the options in issue are not dilutive under the terms of IAS 33 because they would not increase the loss per share. Accordingly there is no difference between the basic and dilutive loss per share.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	6 months to 30 June 2009 (unaudited)	*6 months to 30 June 2008 (unaudited)*	*Year to 31 December 2008 (audited)*
Loss after tax (£)	(4,359,801)	(2,931,639)	(5,803,394)
Weighted average number of shares	551,784,827	400,944,891	423,453,344
Basic and diluted earnings per share (pence)	(0.79)	(0.73)	(1.37)

Copies of the Interim Statement will be available from the Company's registered office at 15 Upper Grosvenor Street, London W1K 7PJ and may also be downloaded from the Company's website at www.patagoniagold.com

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