Patagonia Gold PLC : Half Yearly Report

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Patagonia Gold Plc

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS
for the six months ended 30 June 2012

The results set out below are an extract from the full Interim Statement, copies of which 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 or through SEDAR at www.sedar.com

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

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.

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.

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.

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.

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.

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

Cautionary Statement Regarding Technical and Forward-Looking Information

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimates of mineral resources in the Company's 2012 interim report as referred to in this news release may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant issues. The quantity and grade of reported inferred resources in such estimates are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category. The preliminary economic assessments in connection with each of the COSE project and the Lomada project referred to in the Company's 2012 interim report are preliminary in nature and include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that either preliminary economic assessment will be realized. The Company's planned production decisions in respect of the COSE project and the Lomada project are not based on a feasibility study of mineral reserves demonstrating economic and technical viability and therefore readers are cautioned that there is increased uncertainty and there are economic and technical risks of failure associated with such production decisions.

This news release includes certain information that may constitute "forward-looking information" under applicable securities legislation. Forward looking information includes, but is not limited to, statements about the commencement of production operations at certain of the Company's mineral projects, forecasts as to free-cash flow, strategic plans, mineral resources estimates, future operations, results of exploration, future works programs, capital expenditures and objectives. Forward-looking information is necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in the Company's public disclosure. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of management and information available to management at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

PATAGONIA GOLD PLC

Condensed Consolidated Interim Statement of Comprehensive Income

(Expressed in thousands of U.S. dollars, except per share amounts)

	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	(2,038)	(6,951)	(8,481)
Other administrative costs	(3,522)	(1,024)	(8,691)
	(5,560)	(7,975)	(17,172)
Finance income	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	(37)	(42)	(131)
Exchange loss on translation of foreign operations	(725)	(481)	(566)
Other comprehensive loss for the period	(762)	(523)	(697)
	(13,165)	(16,492)	(33,864)
Net loss per share			
Basic loss per share	$ (0.02)	$ (0.02)	$ (0.05)
Diluted loss per share	$ (0.02)	$ (0.02)	$ (0.05)

Condensed Consolidated Interim Statement of Financial Position
(Expressed in thousands of U.S. dollars)

	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	$ 9,696	$ 3,675	$ 7,350
Mineral properties	9,610	6,506	8,419
Mining rights	3,986	-	3,986
Available-for-sale financial assets	84	214	120
Other receivables	8,415	5,522	6,536
	31,791	15,917	26,411
Current assets			
Available-for-sale financial assets	3,032	-	-
Inventory	3,881	-	2,239
Trade and other receivables	395	279	360
Cash and cash equivalents	1,555	32,183	11,326
	8,863	32,462	13,925
Total assets	$ 40,654	$ 48,379	$ 40,336
LIABILITIES			
Current liabilities			
Bank overdraft	$ 11	$ -	$ 380
Finance lease obligations	57	-	-
Trade and other payables	5,075	4,685	7,242
	5,143	4,685	7,622
Non-current liabilities			
Finance lease obligations	50	-	-
Long-term accruals and provisions	894	412	852

		944		412		852
Total liabilities	$	6,087	$	5,097	$	8,474
EQUITY						
Share capital	$	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							
	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	-	-	-	8,481	-	8,481	-	8,481
Share-based payment on acquiring mining rights	-	-	-	-	-	-	3,986	3,986
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	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	-	-	-	2,038	-	2,038	-	2,038
Issue of share capital								
Issue by placing	495	11,880	-	-	-	12,375	-	12,375
Transaction costs of placing	-	(297)	-	-	-	(297)	-	(297)
Exercise of option	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.

Condensed Consolidated Interim Statement of Cash Flows

(Expressed in thousands of U.S. dollars)

	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	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	57	-	-
(Decrease)/increase in trade and other payables	(2,167)	1,115	3,672
Increase in non-current finance lease obligations	50	-	-
Increase in long-term provisions	42	223	663
Share-based payments charge	2,038	6,951	8,481
Net cash used in operating activities	(21,750)	(9,699)	(25,181)
Investing activities			
Purchase of bonds	(7,006)	-	-
Proceeds from sale of bonds	10,125	-	-
Finance income	162	81	228
Purchase of property, plant and equipment	(2,946)	(3,018)	(7,503)
Increase in mineral properties	(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	12,078	37,764	37,764
Proceeds from exercise of options	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 Condensed Consolidated Interim Financial Statements

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

The financial statements represent the parent company Patagonia Gold Plc (the "Company") and its 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.

3. 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	-	2266	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	-	2003	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.

4. 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.

For more information, please contact:

Bill Humphries, CEO
Patagonia Gold Plc
Tel: +44(0)20 7409 7444

David Bick / Mark Longson
Square 1 Consulting
Tel : +44(0)20 7929 5599

Philip Yee, CFO
Patagonia Gold Plc
Tel:+1(416)572 2007

Rory Scott
Mirabaud Securities LLP
Tel : +44(0)20 7484 3510

Angela Hallett / James Spinney
Strand Hanson Limited
Tel: +44(0)20 7409 3494

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