Released : 12.09.2013

RNS Number : 7766N
Patagonia Gold PLC
12 September 2013

Patagonia Gold Plc

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS
for the six months ended 30 June 2013

The results set out below are an extract from the full Interim Statements, which will be available for download from the Company's website at www.patagoniagold.comshortly.

CHAIRMAN'S INTRODUCTION

I am pleased to present the Company's unaudited interim report for the six months ended 30 June 2013.

Carlos J Miguens
Non-Executive Chairman

OPERATIONS REPORT

Patagonia Gold Plc

Patagonia Gold Plc ("Patagonia" or the "Company") is a gold and silver mining and exploration 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 acquired 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.

Patagonia's Properties

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 has now brought Lomada into production, with full ramp up scheduled to be completed by late Q3 2013.

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 2016.

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 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 highly prospective exploration leases within the Deseado Massif.

Several of the Company's properties host mineralisation 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 of up to 35 metres of Bonanza grade mineralisation 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 mineralisation 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 programme. 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 August 22, 2013 are listed in the table below.

2013 Indicated Resources							
		Grade (g/t)			Metal (Oz)		
Project	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq
Cap-Oeste	7,790,000	2.93	99.0	4.78	734,000	24,801,000	1,197,000
COSE	20,637	60.06	1933.1	96.21	39,850	1,282,582	63,835
Manchuria	425,705	2.95	135.0	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
2013 Inferred Resources							
		Grade (g/t)			Metal (Oz)		
Project	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq
Cap-Oeste	2,369,000	1.52	52.5	2.5	116,000	4,001,000	191,000
COSE	13,758	60.06	1933.1	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	0.87	NA	NA	73,727	NA	73,727
Total Inferred					288,628	7,191,291	397,967

Table 1; 2013 resource Statement Santa Cruz Properties

The Company has no long term debt and continues to raise further equity as needed to carry out its exploration and development plans.

Lomada de Leiva Project

The Lomada Project is spearheading the Company's growth strategy by being the first of its project to begin gold production. The Company has produced 5,413 ounces gold (Au) to the end of July 2013 for gross proceeds of $8,005,865 realising an average gold price of $1,478.9 per ounce.

The construction of the main pad is now 90% complete with the main collection pond, piping and plant expansion nearing completion. Loading of the main pad with ore is scheduled to commence in mid Q3 2013.

The trial pad has now been expanded to a capacity of 300,000+ tonnes and is currently 73% loaded to capacity. A total of 111,812 tonnes of ore @ 2.03g/t Au grade has been added to the existing pad during 2013 bringing the total mined ore to date at Lomada to 220,944 tonnes @ 2.05 g/t Au with leached Au recoveries so far estimated at 47.4% with leaching and recovery ongoing. Waste material movement for the same period was 555,729 tonnes. Operational setbacks and delays were experienced in the period due to a number of critical factors including delay in receiving the final permit for the use of the explosives storage magazines, equipment delivery times and development of skills of local staff and formation of a final mining crew, though these are now all resolved.

Steady increases in monthly production have been achieved since commencement of mining in March 2013 and the Company is very confident of meeting and exceeding scheduled target production by end Q3 2013.

The Company's gold processing facility is now fully operational and commissioned with available capacity of up to 40,000 ounces per annum currently installed. Expansion of the plant can be achieved quickly with minimum capital outlay if additional capacity is required. A 50 person camp, mine office facility, a full maintenance workshop and heavy machine maintenance facility have been installed and commissioned at Lomada and are now operational.

The Company has also purchased and received its own mining fleet which is now commissioned in its entirety and operating at near full capacity. No further major capital equipment items are required to be purchased in the medium to long term for the Lomada Project with approximately 95% of all capital expenditure items completed to date.

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, the Company has drilled 449 holes by July 31, 2013 for a total of 95,721 metres. In this time the Company has filed four Canadian National Instrument 43-101 ("NI 43-101") resource estimates, with the latest reported in September 10, 2012, when the Company announced an updated resource estimate of 1,197,000 gold equivalent ounces in the indicated category, an increase of 230,000 ounces on the previous resource update, together with a 30% increase in gold equivalent grade.

A further 10 diamond core HQ drill-holes totalling 2,475 metres were completed in the Q2-2013 programme targeting the wide mineralised area between Cap-Oeste and COSE along the Bonanza corridor and at depth to the NW of the existing mineralisation. Intersections of up to 66.6 metres @ 2.04 Au and 36.18 Ag were reported with the resource remaining open along strike and down dip in both directions.

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 which 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.

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 pre-feasibility study has now commenced and is being progressed through a group of consulting firms with Newfields Ltd out of Denver, Colorado heading up the study. Tailings dam design, pit and underground design, geotechnical, metallurgical, process design and costing studies will be carried out over the next 8-12 months.

The study will investigate possible synergies of combining the Cap-Oeste and COSE Projects into the same mine plan instead of developing them as separate stand-alone mines. A one mine scenario could reduce up front capital requirements and generate higher returns. COSE is considered to be mined during the 3rd- 4th year of oxide mine production from Cap-Oeste to supplement the oxide ore and add significant Au-Ag ounces to the production schedule with funds generated being utilised to complete the expansion and installation of a sulphide ore processing facility.

The development timeline expects to have the pre-feasibility study completed by mid-2014, a full feasibility study filed by the end of 2014, permitting and commencement of construction in 2015 and full production commencing in late 2016.

COSE Project

The COSE Project, located two kilometres along strike from the Cap-Oeste Project, is currently scheduled to be the second project within the Company's portfolio to be developed. 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 mineralisation was discovered in early 2010 during exploration along the Bonanza fault towards Tango.

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 mineralisation characterize the mineralisation 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 mineralised 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 preliminary economic assessment ("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 gold price of $1,204 per ounce and Ag 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 / 2012 and as at June 30, 2012, a total of 107 holes, including geotechnical and water monitoring totalling 22,638 metres had been completed on the COSE Project and the area directly surrounding the delineated resource. A further 10 diamond core HQ drill-holes totalling 2,475 metres were completed in the Q2-2013 programme targeting the wide mineralised area between Cap-Oeste and COSE along the Bonanza corridor and at depth to the NW of the existing mineralisation.

La Manchuria Project

The La Manchuria Project is located approximately 44 kilometres south-east of the Cap-Oeste and COSE deposits and represents a large system of low sulphidation style vein hosted gold-silver (Au-Ag) mineralisation which outcrops at surface. Shortly after acquisition from Barrick in 2007, the Company launched a three-year exploration program that included soil geochemistry, mapping, trenching, petrographic analysis and topographic surveying. To date, the Company has completed three drilling campaigns for a total of 20,993 metres of diamond and reverse circulation drilling on this project.

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 mineralisation is open along strike to northeast and southeast.

In the first half of 2013 a total of 9 holes for 1259m were completed into La Manchuria West and East. Results reported included LM-099-D intersecting 3.95 metres (m) at 15.97 grams per tonne (g/t) gold and 41.60 g/t silver into a previously undrilled area of the Eastern Manchuria outcrop and the Main Zone ore body extended to the South East with LM-097-D intersecting 40m at 2.11 g/t gold 35.98 g/t silver.

A reassessment is currently being implemented at La Manchuria as the Company believes that significant potential exists to substantially grow the resource base by changing the mineralisation focus from the thin, discontinuous high grade vein hosted model used for the above resource estimate to a lower grade bulk tonnage target. As part of this work, a resampling exercise, incorporating all mineralisation previously considered to be low priority but making up a large oxidized halo to the high grade vein system and outcropping at surface, is scheduled to be finished in Q3 2013. On completion, remodelling will be carried out to evaluate a bulk tonnage scenario for the estimation of in situ resources and to assist in the targeting of further resources within the Eastern zone and extensions to the North and South of the Western area.

Social and Economic Responsibility

Patagonia 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 attempts, where possible, to hire local personnel and use local contractors and suppliers.

Matthew Boyes
Chief Operating Officer

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, 2013 (unaudited)	Six months ended June 30, 2012 (unaudited)	Year ended December 31, 2012 (audited)
Continuing operations			
Exploration costs	(5,363)	(10,062)	(14,356)
Administration costs			
Share-based payments charge	(160)	(2,038)	(5,284)
Other administrative costs	(6,932)	(3,522)	(6,472)
	(7,092)	(5,560)	(11,756)
Finance income	3,821	3,281	4,929
Finance costs	(121)	(62)	(68)
Loss before taxes	(8,755)	(12,403)	(21,251)
Income tax benefit	1,058	-	476
Loss for the period	(7,697)	(12,403)	(20,775)
Non-controlling interest	-	-	-
Other comprehensive loss			

Loss on revaluation of available-for-sale financial assets	(50)	(37)	(31)
Exchange loss on translation of foreign operations	(1,315)	(725)	(5,119)
Other comprehensive loss for the period	(1,365)	(762)	(5,150)
Total comprehensive loss for the period attributable to owners of the parent	(9,062)	(13,165)	(25,925)
Net loss per share			
Basic loss per share	$ (0.01)	$ (0.02)	$ (0.03)
Diluted loss per share	$ (0.01)	$ (0.02)	$ (0.03)

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)

	As at June 30, 2013 (unaudited)	As at June 30, 2012 (unaudited)	As at December 31, 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	$ 20,896	$ 9,696	$ 11,881
Mineral properties	8,840	9,610	8,387
Mining rights	3,837	3,986	3,886
Available-for-sale financial assets	39	84	94
Other receivables	11,029	8,415	8,716
	44,641	31,791	32,964
Current assets			
Deferred tax asset	1,915	-	581
Available-for-sale financial assets	696	3,032	-
Inventory	2,935	3,881	4,880
Trade and other receivables	319	395	625
Cash and cash equivalents	739	1,555	4,663
	6,604	8,863	10,749
Total assets	$ 51,245	$ 40,654	$ 43,713
LIABILITIES			
Current liabilities			
Bank overdraft	$ -	$ 11	$ -
Finance lease obligations	1,651	57	49
Trade and other payables	9,168	5,075	5,920
	10,819	5,143	5,969
Non-current liabilities			
Finance lease obligations	2,232	50	22
Long-term accruals and provisions	987	894	1,082
	3,219	944	1,104
Total liabilities	$ 14,038	$ 6,087	$ 7,073
EQUTIY			
Share capital	$ 13,010	$ 12,175	$ 13,126
Share premium account	147,641	131,681	147,347
Currency translation reserve	(4)	1,086	(8,929)
Share-based payment reserve	15,310	12,494	16,222
Accumulated losses	(142,736)	(126,855)	(135,112)
Equity attributable to shareholders of the parent	33,221	30,581	32,654
Non-controlling interest	3,986	3,986	3,986
Total equity	37,207	34,567	36,640

Total liabilities and equity	$ 51,245	$ 40,654	$ 43,713

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

PATAGONIA GOLD PLC

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, 2012	$ 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
At January 1, 2012	$ 11,381	$ 117,205	$ 3,349	$ 10,941	$ (115,000)	$ 27,876	$ 3,986	$ 31,862
Changes in equity for year ended December 31, 2012								
Share-based payment	-	-	-	5,284	-	5,284	-	5,284
Share-based payment on acquiring mining rights	-	-	-	-	-	-	-	-
Issue of share capital								
Issue by placing	1,024	23,436	-	-	-	24,460	-	24,460
Transaction costs of placing	-	(797)	-	-	-	(797)	-	(797)
Exercise of option	177	1,579	-	(589)	589	1,756	-	1,756
Transactions with owners	1,201	24,218	-	4,695	589	30,703	-	30,703
Loss for the year	-	-	-	-	(20,775)	(20,775)	-	(20,775)
Other comprehensive income (loss):								
Revaluation of available- for-sale financial assets	-	-	-	-	(31)	(31)	-	(31)
Exchange differences on translation to dollars	544	5,924	(12,278)	586	105	(5,119)	-	(5,119)
Total comprehensive income (loss) for the period	544	5,924	(12,278)	586	(20,701)	(25,925)	-	(25,925)
At December 31, 2012	13,126	147,347	(8,929)	16,222	(135,112)	32,654	3,986	36,640
Changes in equity for first six months of 2013								
Share-based payment	-	-	-	160	-	160	-	160
Issue of share capital								
Issue by placing	620	8,679	-	-	-	9,299	-	9,299
Transaction costs of placing	-	(54)	-	-	-	(54)	-	(54)
Exercise of option	25	199	-	(123)	123	224	-	224
Transactions with owners	645	8,824	-	37	123	9,629	-	9,629
Loss for the period	-	-	-	-	(7,697)	(7,697)	-	(7,697)
Other comprehensive income (loss):								
Revaluation of available- for-sale financial assets	-	-	-	-	(50)	(50)	-	(50)
Exchange differences on translation to dollars	(761)	(8,530)	8,925	(949)		(1,315)	-	(1,315)
Total comprehensive income (loss) for the period	(761)	(8,530)	8,925	(949)	(7,747)	(9,062)	-	(9,062)
At June 30, 2013	$ 13,010	$ 147,641	$ (4)	$ 15,310	$ (142,736)	$ 33,221	$ 3,986	$ 37,207

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)

	Six months ended June 30, 2013	**Six months ended June 30, 2012**	**Year ended December 31, 2012**

	(unaudited)	(unaudited)	(audited)
Operating activities			
Net loss for the period	$ (7,697)	$ (12,403)	$ (20,775)
Adjustments for:			
Finance income	(3,821)	(3,281)	(4,929)
Depreciation and amortization	1,066	502	1,050
Increase in available for sale financial assets	(696)	(3,032)	-
Decrease/(increase) in inventory	1,945	(1,642)	(2,641)
Increase in trade and other receivables	(2,021)	(1,914)	(2,445)
Increase in deferred tax asset	(1,320)	-	(581)
Increase in current finance lease obligations	1,651	57	-
(Decrease)/increase in trade and other payables	3,198	(2,167)	(1,273)
Increase in non-current finance lease obligations	2,232	50	-
(Decrease)/increase in long-term provisions	(116)	42	252
Share-based payments charge	160	2,038	5,284
Net cash used in operating activities	(5,419)	(21,750)	(26,058)
Investing activities			
Purchase of bonds	(6,258)	(7,006)	(10,527)
Proceeds from sale of bonds	9,962	10,125	15,436
Finance income	117	162	20
Purchase of property, plant and equipment	(10,918)	(2,946)	(6,059)
Additions to mineral properties	(5,914)	(1,825)	(2,255)
Proceeds from disposals of mineral properties	-	-	250
Proceeds from sale of gold	4,646	-	768
Net cash used in investing activities	(8,365)	(1,490)	(2,367)
Financing activities			
Proceeds from issue of share capital	9,245	12,078	23,663
Proceeds from exercise of options	224	1,754	1,756
Net cash from financing activities	9,469	13,832	25,419
Net (decrease)/increase in cash and cash equivalents	(4,315)	(9,408)	(3,006)
Cash and cash equivalents at beginning of year	4,663	10,946	10,946
Effects of exchange rate fluctuations on cash and cash equivalents	391	6	(3,277)
Cash and cash equivalents at end of period	$ 739	$ 1,544	$ 4,663

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

PATAGONIA GOLD PLC

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2013
(Unaudited)

The financial information represents the results of 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. With effect from July 12, 2013 the Company delisted from 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, 2012 were approved by the Board of Directors on April 25, 2013. These financial statements which contained an unqualified audit report under Section 495 of the Companies Act 2006, 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, 2012. 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 Group is a gold and silver mining, exploration and development company which commenced production of gold in November 2012 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva Project. Gold production is scheduled to continue throughout the first three quarters of 2013 from the expanded existing heap leach with production from the Lomada main heap leach expected in the fourth quarter 2013.

Due to the current instability of the gold market monthly cash flow forecasts are prepared and overdraft facilities have been put in place to manage variations.

Patagonia's growth strategy includes the development of three key projects, one of which is the flagship Cap-Oeste / COSE Project, the second being the Lomada Project which is generating free cash flow and the third being the La Manchuria Project.

3. **Mineral properties**

(Thousands of $)	**Mining assets**	**Surface rights acquired**	**Assets in the course of construction**	**Total**
Cost				
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
Additions	56	-	103	159
Net income from trial production	(768)	-	-	(768)
Exchange differences	(301)	(275)	(31)	(607)
At December 31, 2012	2,888	3,220	2,461	8,569
At January 1, 2013	2,888	3,220	2,461	8,569
Additions	91	-	115	206
Net expense from production	1,062	-	-	1,062
Disposals	-	-	-	-
Exchange differences	(249)	(279)	(213)	(741)
At June 30, 2013	$ 3,792	$ 2,941	$ 2,363	$ 9,096
Amortization				
At January 1, 2012	$ 81	$ -	$ -	$ 81
Charge for the period	101	-	-	101
Exchange differences	(7)	-	-	(7)
At June 30, 2012	175	-	-	175
Charge for the period	19	-	-	19
Exchange differences	(12)	-	-	(12)
At December 31, 2012	182	-	-	182
At January 1, 2013	182	-	-	182
Charge for the period	95	-	-	95
Exchange differences	(21)	-	-	(21)
At June 30, 2013	$ 256	$ -	$ -	$ 256
Net book value				
At June 30, 2012	3,726	3,495	2,389	9,610
At December 31, 2012	2,706	3,220	2,461	8,387
At June 30, 2013	3,536	2,941	2,363	8,840

Mining assets

From September 1, 2010 all development costs incurred in respect of the Lomada Project have been capitalised as mineral properties - mining assets. The Lomada Project has completed the commissioning phase and will be entering full commercial production in the late third quarter of 2013. The net proceeds received from the sale of the gold and silver recovered from the Lomada trial heap leach inventory at the newly commissioned gold processing facility from December 2012 through to June 30, 2013 are offset against the capitalised costs of Lomada Project development in compliance with IAS 16. Amortization is charged based on the unit-of-production method.

Assets in the course of construction

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 mineralisation.

4. Cash and cash equivalents

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Bank and cash balances	$ 337	$ 595	$ 1,352
Short-term deposits	402	960	3,311
	$ 739	$ 1,555	$ 4,663

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, 2013	As at June 30, 2012	As at December 31, 2012
Cash and cash equivalents per the consolidated statement of financial position	$ 739	$ 1,555	$ 4,663
Bank overdraft	-	(11)	-
Cash and cash equivalents per the consolidated statement of cash flows	$ 739	$ 1,544	$ 4,663

Contact Information:

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

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

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

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