Patagonia Gold PLC : Interim Results

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Patagonia Gold PLC
26 September 2014

PATAGONIA GOLD PLC

Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

For the six months ended June 30, 2014
(Unaudited)

CHAIRMAN'S INTRODUCTION

I am very pleased with the progress of our Lomada mine this year and in particular with our newly formed mining team who have operated the mine with great efficiency exceeding design production by a considerable amount. During the first half of 2014, we have consolidated Patagonia Gold as a gold producer and our cash flow has improved accordingly. We look forward to continue increasing our production during the remainder of 2014.

Our successful development of the Lomada Project, together with our highly experienced exploration and management team, bodes well for the future development of our highly prospective projects.

Carlos J Miguens
Non-Executive Chairman
26 September 2014

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, Fomento 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 full production.

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 characterised 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 characterise 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.

Resources delineated as at 22 August 2014 are listed in the table below.

2014 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
2014 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

**Lomada resource to be depleted during Q3 2014, pending completion of third party estimation*

Table 1: 2014 resource Statement Santa Cruz Properties

The Company has long term debt of $US 3.7M and continues to raise further equity as needed to carry out its exploration and development plans.

Lomada de Leiva Project

The Lomada Mine reported record production in August, with a total of 2,961 ounces of gold recovered from the main and trial heap leach pads combined at an all-inclusive cash cost of $625 per ounce.

For the first eight months of 2014 the Lomada Project sold a total of 16,088.43 ounces of gold and 298 ounces of silver for gross revenues of $US 20,837,508 at an average all in cash cost of $US812 per ounce. Total ore mined from the commencement of the project is 736,600t @ 2.10 g/t for 49,800 oz contained gold.

Lomada is on-track to achieve its expansion target of 3,000 ounces of gold per month production by the end of Q3. The mining fleet is nearing design capacity for planned mine expansion with the second large excavator delivered and operational.

The trial pad has been loaded to capacity and first pass irrigation completed, second pass irrigation commenced in late May and has now recovered 16,868 oz since irrigation commenced. A total of 61.2% of the estimated contained gold within the trial pad has now been recovered through the addition of 1.27m^3/t of solution or 63% of the design quantity. The trial is being operated in conjunction with the main pad on a rotational basis being irrigated for 30 days and then rested for a further 30 days, since irrigation recommenced in late June 2014 391 oz of gold for approximately $US 509,800 of revenue has been produced

The construction of the main pad is now complete and has been in production since January of 2014, as of 30 June 2014 a total of 331,000 T @ 2.15g/t Au grade had been loaded and in part irrigated with a total estimated Au recovery of 10,200 oz for 44.6% to 30 June. Lining of sufficient capacity for 1.5mt of crushed ore feed has been completed and a permanent stockpile and crushing area installed to the western side of the pad. The mining fleet has been expanded with the addition of a second 90T class excavator and two additional hire haulage units

Full year production guidance has been forecast down from 31,000 ounces to 26,900 due to lower than expected production for the months of April, May and June caused by import restrictions and delays with new mining machinery and spare parts. However, weather conditions impacted production far less than expected with only
three days of lost production in July due to freezing and access difficulties. Forecast production for the period August to December 2014 is

13,200 ounces

Exploration on the Lomada block is planned to recommence in Q4 of this year aimed at replenishing depleted resources from production and extending the mine life. The 40,000 hectares of PGSA leases around the existing mine has not been extensively explored and first pass geophysics and geochemical programmes are planned for the area.

Cap-Oeste Project

The Cap-Oeste Project is the Company's flagship project and is located within a structural corridor extending six 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 31July 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 on 10 September 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.

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.

Three options are currently being investigated as potential development options of the Cap-Oeste deposit. A standalone Heap Leach plant for oxide treatment with a crushed and agglomerated product leached to produce an estimated 50,000 oz Au Eq per annum, the second option would be to develop and construct a flotation and or pressure oxidation or Albion process style recovery plant to extract up to 100,000 oz AuEq per annum from both the oxide and refractory sulphide material and the third option is to develop both Cap-Oeste and COSE in unison.

The pre-feasibility is underway with the final definitive round of Metallurgical testwork due to start in Q4 2014. A mix of open pit and underground extraction methods will be investigated along with trade off studies to choose which process route will be the most economic over the life of mine. Detailed engineering will then be completed and a definitive feasibility study completed. The pre-feasibility study is scheduled now for completion in late 2015

COSE Project

The COSE Project, located two kilometres along strike from the Cap-Oeste Project, is currently planned 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 characterise 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 30 June 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.

At present an updated resource model is being calculated and a new mine design and cashflow model will be developed based on treating the mined product in house or selling locally and not the previously preferred option of direct shipping for smelting offshore. The study is scheduled to be completed by November 2014. All metallurgical testwork has now been completed for the project and a process route and preliminary plant design also completed. The Au and Ag contained in the COSE orebody is readily extractible via cyanide leaching and also through flotation and high cyanidation of the concentrate

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 programme 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.

Exploration of the La Manchuria block is scheduled to recommence in Q3 2014 with a geophysical and geochemical study over the La Manchuria and La Manchuria South properties. Existing geochemical anomalies and anomalous surface rock chip and trench will be tested and drill targets developed for the 2015 field season

El Tranquilo Project

Exploration drilling recommenced in Q2 of 2014 with recently developed geophysical and geochemical targets being tested with shallow RC rig drilling a total of 28 holes for 2,784 metres. Encouraging results were received for several previously undrilled large targets such as El Calafate, Santiago and La Canada. Follow-up drilling will commence in late 2014 once a recently approved geophysical survey is completed over the most prospective areas.

Hole ID	Prospect	From	To	Length	Au ppm	Ag ppm	As ppm	Comment
STG-003-R	Santiago	3	10	**7**	**0.57**	**1.6**	408	1m re-splits
and		32	34	2	0.16	3.3	237	1m re-splits
and		55	59	4	0.29	5.3	354	1m re-splits
FLX-026-R	Felix	14	27	**13**	**0.50**	**0.9**	3642	1m re-splits
CAL-001-R	Calafate	22	34	**12**	**0.52**	**1.4**	6167	1m re-splits
CAL-003-R		27	60	**33**	**0.14**	**1.2**	1607	1m re-splits
TAG-017-R		12	36	**24**	**0.70**	**6.0**	258	4m composites
including		16	20	**4**	**2.51**	**21.3**	438	4m composites
LC2-001-R	La Canada 2	0	8	8	0.17	1.8	1511	4m composites
and		28	44	**16**	**0.42**	**10.1**	**2970**	4m composites
and		92	100	8	0.19	2.5	6989	4m composites
LC2-002-R		44	48	**4**	**0.77**	**216.4**	**5338**	4m composites
and		60	64	4	0.17	2.1	2609	4m composites

Table 2; Significant intervals from first pass RC programme El Tranquilo

To date the Calafate prospect has delivered the best results with 12 metres @ 0.52 g/t Au and 1.4 g/t Ag intersected within a broad zone of intense argillic alteration from 22m downhole, three of the six holes were drilled into a NW-SE striking 1km long section of the Calafate area with all three intersecting mineralisation

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
26 September 2014

PATAGONIA GOLD PLC

Condensed Consolidated Interim Statement of Comprehensive Income

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

	Note	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Year ended 31 December 2013 (audited)
Continuing operations				
Revenue		$ 15,642	$ -	$ 10,182
Cost of sales		(11,970)	-	(9,850)
Gross profit		$ 3,672	$ -	$ 332
Exploration costs		(2,129)	(5,363)	(8,309)
Administration costs				
Share-based payments charge	23	(6)	(160)	(2,271)

Other administrative costs	5	(5,977)	(6,932)	(12,713)
		(5,983)	(7,092)	(14,984)
Finance income	~	-	3,821	5,180
Finance costs		(451)	(121)	(629)
Loss before taxes		$ (4,891)	$ (8,755)	$ (18,410)
Income tax benefit	~	581	1,058	3,249
Loss for the period		$ (4,310)	$ (7,697)	$ (15,161)
Attributable to non-controlling interest	20	(361)	-	(2,904)
Attributable to equity share owners of the parent		(3,949)	(7,697)	(12,257)
		(4,310)	(7,697)	(15,161)
Other comprehensive loss				
Items that will not be reclassified to profit or loss:				
Gain / (Loss) on revaluation of available-for-sale financial assets	13	15	(50)	(65)
Items that may be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations		(4,816)	(1,315)	(7,936)
Other comprehensive loss for the period		(4,801)	(1,365)	(8,001)
Total comprehensive loss for the period attributable to owners of the parent		$ (9,111)	$ (9,062)	$ (23,162)
Net loss per share				
Basic loss per share	~	$ (0.01)	$ (0.02)	$ (0.01)
Diluted loss per share	~	$ (0.01)	$ (0.02)	$ (0.01)

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

PATAGONIA GOLD PLC

Condensed Consolidated Interim Statement of Financial Position

(Expressed in thousands of U.S. dollars)

	Note	As at 30 June 2014 (unaudited)	As at 30 June 2013 (unaudited)	As at 31 December 2013 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 14,637	$ 20,896	$ 17,943
Mineral properties	8	5,599	8,840	7,278
Mining rights	10	3,737	3,837	3,787
Available-for-sale financial assets	13	44	39	29
Other receivables	11	11,262	11,029	11,205
Deferred tax asset		3,521	1,915	3,569
		38,800	46,556	43,811
Current assets				
Available-for-sale financial assets	13	999	696	-
Inventory	14	2,138	2,935	2,941
Trade and other receivables	12	422	319	1,235
Cash and cash equivalents	15	455	739	981
		4,014	4,689	5,157
Total assets		$ 42,814	$ 51,245	$ 48,968
LIABILITIES				
Current liabilities				
Short-term loans	17	$ 12,300	$ -	$ 6,831
Trade and other payables	17	8,691	10,819	11,187
		20,991	10,819	18,018
Non-current liabilities				

Long-term loans	18	3,701	-	4,634
Provisions	18	713	3,219	1,076
		4,414	3,219	5,710
Total liabilities		$ 25,405	$ 14,038	$ 23,728
EQUTIY				
Share capital	19	$ 14,711	$ 13,010	$ 14,108
Share premium account		166,492	147,641	160,087
Currency translation reserve		(32,707)	(4)	(21,547)
Share-based payment reserve		19,156	15,310	18,804
Accumulated losses		(150,964)	(142,736)	(147,294)
Equity attributable to shareholders of the parent		16,688	33,221	24,158
Non-controlling interest	20	721	3,986	1,082
Total equity		17,409	37,207	25,240
Total liabilities and equity		$ 42,814	$ 51,245	$ 48,968

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							
	Note	Share capital	Share premium account	Currency translation reserve	Share-based payment reserve	Accumulated losses	Total attributable to owners	Non-controlling interests	Total equity
		$	$	$	$	$	$	$	
At 1 January 2013		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	23	-	-	-	160	-	160	-	160
Issue of share capital									
Issue by placing	19	620	8,679	-	-	-	9,299	-	9,299
Transaction costs of placing		-	(54)	-	-	-	(54)	-	(54)
Exercise of option	19	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	13	-	-	-	-	(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 30 June 2013		13,010	147,641	(4)	15,310	(142,736)	33,221	3,986	37,207
			$	$	$	$	$	$	
At 1 January 2013		$13,126	147,347	(8,929)	16,222	(135,112)	32,654	3,986	$36,640
Changes in equity for year ended 31 December 2013									
Share-based payment	23	-	-	-	2,271	-	2,271	-	2,271
Issue of share capital									
Issue by placing	19	620	8,679	-	-	-	9,299	-	9,299
Transaction costs of placing		-	(54)	-	-	-	(54)	-	(54)
Exercise of option	19	28	218	-	(140)	140	246	-	246
Transactions with owners		648	8,843	-	2,131	140	11,762	-	11,762
Loss for the year		-	-	-	-	(12,257)	(12,257)	(2,904)	(15,161)
Other comprehensive income (loss):									
Revaluation of available-									

	Note								
for-sale financial assets	13	-	-	-	-	(65)	(65)	-	(65)
Exchange differences on translation to dollars		334	3,897	(12,618)	451	-	(7,936)	-	(7,936)
Total comprehensive income (loss) for the period		334	3,897	(12,618)	451	(12,322)	(20,258)	(2,904)	(23,162)
At 31 December 2013		14,108	160,087	(21,547)	18,804	(147,294)	24,158	1,082	25,240
Changes in equity for first six months of 2014									
Share-based payment	23	-	-	-	6	-	6	-	6
Issue of share capital									
Issue in lieu of fees	19	51	534	-	-	-	585	-	585
Exercise of option	19	86	603	-	(264)	264	689	-	689
Transactions with owners		137	1,137	-	(258)	264	1,280	-	1,280
Loss for the period		-	-	-	-	(3,949)	(3,949)	(361)	(4,310)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets	13	-	-	-	-	15	15	-	15
Exchange differences on translation to dollars		466	5,268	(11,160)	610	-	(4,816)	-	(4,816)
Total comprehensive income (loss) for the period		466	5,268	(11,160)	610	(3,934)	(8,750)	(361)	(9,111)
At 30 June 2014		$ 14,711	$ 166,492	$ (32,707)	$ 19,156	$ (150,964)	$ 16,688	$ 721	$17,409

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

PATAGONIA GOLD PLC

Condensed Consolidated Interim Statement of Cash Flows

(Expressed in thousands of U.S. dollars)

	Note	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Year ended 31 December 2013 (audited)
Operating activities				
Net loss for the period		$ (4,310)	$ (7,697)	$ (15,161)
Adjustments for:				
Finance income	13	-	(3,821)	(5,180)
Depreciation and amortization	8,9&10	2,318	1,066	3,503
Increase in available for sale financial assets		(999)	(696)	-
Decrease in inventory		803	1,945	1,939
Decrease/(increase) in trade and other receivables		756	(2,021)	(3,099)
Increase/(decrease) in deferred tax asset		48	(1,320)	(2,988)
(Decrease)/increase in trade and other payables	17	(2,496)	7,081	5,218
Decrease in long-term provisions	18	(363)	(116)	(28)
Share-based payments charge	23	6	160	2,271
Net cash used in operating activities		(4,237)	(5,419)	(13,525)
Investing activities				
Finance income		-	3,821	5,180
Purchase of property, plant and equipment		(2,050)	(10,918)	(11,405)
Additions to mineral properties		(134)	(206)	(476)
Proceeds from disposal	9	-	-	4
Net expense from trial production	8	-	(1,062)	(1,062)
Net cash used in investing activities		$ (2,184)	$ (8,365)	$ (7,759)
Financing activities				
Increase in loans	17&18	4,536	-	11,465
Proceeds from issue of share capital	19	585	9,245	9,245
Proceeds from exercise of options	19	689	224	246
Net cash from financing activities		$ 5,810	$ 9,469	$ 20,956
Net decrease in cash and cash equivalents		(611)	(4,315)	(328)
Cash and cash equivalents at beginning				

of year			981		4,663		4,663
Effects of exchange rate flucuations on cash and cash equivalents			85		391		(3,354)
Cash and cash equivalents at end of period	15	$	455	$	739	$	981

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, 2014

(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.

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 31 December 2013 were approved by the Board of Directors on 16 May 2014. 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 31 December 2013. 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.

2. Going concern

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

Patagonia Gold is an advanced gold and silver exploration and development company which commenced commercial production of gold in 2013 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva Project. Gold production continued and reached nameplate 1,750 ounces per month in November 2013 and has continued at or above that level to date. The Group has decided to expand production from Lomada to 3,000 ounces per month to be achieved by Q4 2014. Minimal capital is required to achieve this expansion.

Regular monthly cash flow from the Lomada Project main heap leach is targeted to partly finance the Company's exploration programme for the remainder of 2014, the expansion of the Lomada heap leach project and continuing studies on the Cap Oeste / COSE project. These works will require additional capital financing.

The Company will be investigating opportunities to raise this additional capital, however, the continued volatility in equity and debt markets coupled with the current gold price indicate 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 evaluating additional strategies and corresponding financing requirements for 2014 and beyond and are confident in their ability to secure additional funding at a competitive rate to continue to meet commitments as they fall due.

3. Recent accounting pronouncements

The following IFRS standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2014 or later periods. The Company has not implemented early adoption:

- IFRS 2 (Annual Improvements for 2010-2012 Cycle), 'Share-based Payment', effective for annual periods beginning on or after 1 July 2014. The amendments to IFRS 2 clarify the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition';
- IFRS 8 (Annual Improvements for 2010-2012 Cycle), 'Operating Segments', effective for annual periods beginning on or after 1 July 2014. The amendments require an entity to disclose the judgments made by management in applying the

aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segments' assets are reported regularly.;

- IFRS 9, 'Financial Instruments - Classification and Measurement', effective for annual periods beginning on or after 1 January 2015. The standard reflects the first phase of the IASB's three stage project to replace IAS 39. The first phase deals with the classification and measurement of financial assets and financial liabilities. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB;
- IFRS 10, 'Consolidated Financial Statements', effective for annual periods beginning on or after 1 January 2014. This standard replaces the consolidation sections of IAS 27 and SIC 12. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee;
- IFRS 12, 'Disclosure of Interests in Other Entities', effective for annual periods beginning on or after 1 January 2014. The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is in the disclosure requirement for unconsolidated structured entities or off-balance sheet vehicles;
- IFRS 13 (Annual Improvements for 2010-2012 Cycle), 'Fair Value Measurement', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial;
- IAS 16 (Annual Improvements for 2010-2012 Cycle), 'Property, Plant and Equipment', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that when an item of PPE is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount;
- IAS 24 (Annual Improvements for 2010-2012 Cycle), 'Related Party Disclosures', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity;
- IAS 27, 'Separate Financial Statements', effective for annual periods beginning on or after 1 January 2014. The standard is a consequential amendment as a result of IFRS 10. The amended standard now only deals with separate financial statements;
- IAS 32, 'Financial Instruments: Presentation', effective for annual periods beginning on or after 1 January 2014. The amendment offers clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities;
- IAS 38 (Annual Improvements for 2010-2012 Cycle), 'Intangible Assets', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The effect of the new standards and interpretations have been considered by management and are not expected to result in a material adjustment to the consolidated financial statements.

4. Segmental analysis

Management do not currently regard individual projects as separable segments for internal reporting purposes with the exception of the Lomada Project, which commenced commercial production in Q3 2013 and the COSE Project where construction work has commenced. All revenue in the year is derived from sales of gold and silver.

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

Net profit/(loss)

(Thousands of $)		Six months ended 30 June 2014		Six months ended 30 June 2013		Year ended 31 December 2013
Argentina and Chile(1)	$	(6,088)	$	(8,142)	$	(14,773)
United Kingdom		(1,469)		747		25
Canada		-		(207)		(263)
Argentina - Lomada Project		3,247		(95)		(150)
	$	(4,310)	$	(7,697)	$	(15,161)

(1) Segment represents other exploration projects.

Total assets

(Thousands of $)		As at 30 June 2014		As at 30 June 2013		As at 31 December 2013
Argentina and Chile(1)	$	20,034	$	27,795	$	25,225
Argentina - Lomada Project		17,017		20,253		21,380
United Kingdom		4,203		814		407
Argentina - COSE Project		1,560		2,363		1,953
Canada		-		20		3

	$ 42,814	$ 51,245	$ 48,968

(1) Segment represents other exploration projects.

Total liabilities

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
Argentina and Chile[(1)]	$ 11,659	$ 3,565	$ 12,050
Argentina - Lomada Project	8,403	9,769	7,489
United Kingdom	5,343	695	4,189
Argentina - COSE Project	-	-	-
Canada	-	9	-
	$ 25,405	$ 14,038	$ 23,728

(1) Segment represents other exploration projects.

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

(Thousands of $)	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
Argentina[(1)]	$ 2,129	$ 5,363	$ 8,309

(1) Segment represents exploration projects other than the Lomada Project and the COSE Project.

From 1 September 2010 onwards, expenditures incurred at the Lomada Project are capitalised and disclosed as mineral properties - mining assets (See Note 8). From 1 April 2011 certain costs are included in inventory.

From 1 March 2011 onwards, expenditures incurred at the COSE Project are capitalised and disclosed as mineral properties - assets in the course of construction (See Note 8).

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

5. Other administrative costs

(Thousands of $)	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
General and administrative	$ 1,273	$ 1,795	$ 3,558
Local Argentina taxes	158	223	869
Professional fees	321	398	923
Payments under operating leases	58	111	226
Foreign exchange	1,047	1,635	2,590
Parent and subsidiary company Directors' remuneration	465	305	932
Depreciation	2,319	1,066	3,503
Impairment of inventory	-	1,339	-
VAT expense	197	9	15
Consultancy fees	139	51	97
	$ 5,977	$ 6,932	$ 12,713

6. Remuneration of Directors and key management personnel

Parent company Directors' emoluments:

(Thousands of $)	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
Directors fees	$ 346	$ 305	$ 633
Consultancy fees	-	-	-
	$ 346	$ 305	$ 633

In the six months ended 30 June 2014, the highest paid Director received $142 thousand (six months ended 30 June 2013: $131 thousand). This amount does not include any share-based payments charge.

Key management personnel emoluments:

(Thousands of $)	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
Share-based payments charge	$ -	$ 161	$ 1,720
Salaries	139	145	373
Other compensation, including short-term benefits	370	206	780
	$ 509	$ 512	$ 2,873

Subsequent event

On 25 July 2014 the Group issued 7,000,000 options at an exercise price of 7.875p per Ordinary share to a Director and senior management of the Company.

7. Loss per share

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

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
Loss after tax (Thousands of $)	$ (3,949)	$ (7,697)	$ (12,257)
Weighted average number of shares	861,758,991	839,943,654	847,814,242
Basic and diluted loss per share ($)	$ (0.01)	$ (0.01)	$ (0.01)

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

At 30 June 2014, there were 78,883,000 (30 June 2013: 75,295,000; 31 December 2013: 84,070,000) share options and 24,705,000 warrants (30 June 2013 and 31 December 2013: 24,705,000) in issue, which would have a potentially dilutive effect on the basic profit per share in the future.

8. Mineral properties

(Thousands of $)	Mining assets	Surface rights acquired	Assets in the course of construction	Total
Cost				
At 1 January 2013	$ 2,888	$ 3,220	$ 2,461	$ 8,569
Additions	91	-	115	206
Net expense from trial production	1,062	-	-	1,062
Disposals	-	-	-	-
Exchange differences	(249)	(279)	(213)	(741)
At 30 June 2013	3,792	2,941	2,363	9,096
Additions	290	-	-	290
Disposals	-	-	-	-
Exchange differences	(646)	(510)	(410)	(1,566)
At 31 December 2013	3,436	2,431	1,953	7,820
At 1 January 2014	3,436	2,431	1,953	7,820
Additions	134	-	-	134
Disposals	-	-	-	-
Exchange differences	(633)	(489)	(393)	(1,515)
At 30 June 2014	$ 2,937	$ 1,942	$ 1,560	$ 6,439
Amortization				
At 1 January 2013	$ 182	$ -	$ -	$ 182
Charge for the period	95	-	-	95
Exchange differences	(21)	-	-	(21)
At 30 June 2013	256	-	-	256
Charge for the period	387	-	-	387
Exchange differences	(101)	-	-	(101)
At 31 December 2013	542	-	-	542
At 1 January 2014	542	-	-	542

Charge for the period	424	-	-	424
Exchange differences	(126)	-	-	(126)
At 30 June 2014	$ 840	$ -	$ -	$ 840
Net book value				
At 30 June 2013	3,536	2,941	2,363	8,840
At 31 December 2013	2,894	2,431	1,953	7,278
At 30 June 2014	2,097	1,942	1,560	5,599

Mining assets

The Lomada Project completed the trial heap leach phase and entered full commercial production in Q3 2013. From 1 September 2010 all development costs incurred in respect of the project have been capitalised as mineral properties - mining assets. The revenue received from the sale of gold and silver recovered from the Lomada trial heap phase was offset against the capitalised costs of Lomada Project development in compliance with IAS 16. Amortisation is charged based on the unit-of-production method.

Surface rights

The Company owns the surface rights to over 63,000 hectares of land encompassing the Estancia La Bajada, Estancia El Tranquilo and the Estancia El Rincon.

The Company has clear title and outright ownership over Estancia La Bajada and Estancia El Tranquilo. There is a back in right granted to the sellers under Estancia El Rincon's title deed whereby the Company irrevocably committed to resell the estancia to its former owner in the event that two consecutive years elapse without mining activities. Current activity on this estancia includes the Lomada de Leiva project.

Assets in the course of construction

From 1 March 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.

9. Property, plant and equipment

(Thousands of $)	Office equipment and vehicles	Machinery and equipment	Buildings	Plant	Improvements and advances	Total
Cost						
At 1 January 2013	$ 732	$ 5,709	$ 1,071	$ 1,998	$ 4,105	$ 13,615
Additions	30	5,096	42	4,122	2,212	11,502
Disposals	-	(4)	-	-	(579)	(583)
Exchange differences	(56)	(494)	(92)	(173)	(356)	(1,171)
At 30 June 2013	706	10,307	1,021	5,947	5,382	23,363
Additions	68	237	-	721	-	1,026
Transfers	-	-	-	3,703	(3,703)	-
Disposals	-	-	-	-	-	-
Exchange differences	(57)	(904)	(177)	(316)	(1,186)	(2,640)
At 31 December 2013	717	9,640	844	10,055	493	21,749
At 1 January 2014	717	9,640	844	10,055	493	21,749
Additions	7	308	-	880	855	2,050
Transfers	-	-	-	165	(165)	-
Disposals	-	-	-	-	-	-
Exchange differences	(78)	(1,941)	(170)	(2,025)	(99)	(4,313)
At 30 June 2014	646	8,007	674	9,075	1,084	19,486
Depreciation						
At 1 January 2013	327	1,266	42	99	-	1,734
Disposals	-	(4)	-	-	-	(4)
Charge for the period	59	491	11	365	-	926
Exchange differences	(27)	(132)	(4)	(26)	-	(189)
At 30 June 2013	359	1,621	49	438	-	2,467
Disposals	-	-	-	-	-	-
Charge for the period	58	596	9	1,337	-	2,000
Exchange differences	(32)	(350)	(9)	(270)	-	(661)
At 31 December 2013	385	1,867	49	1,505	-	3,806
At 1 January 2014	385	1,867	49	1,505	-	3,806
Disposals	-	-	-	-	-	-
Charge for the period	49	419	7	1,369	-	1,844
Exchange differences	(40)	(393)	(10)	(358)	-	(801)
At 30 June 2014	394	1,893	46	2,516	-	4,849

Net book value						
At 30 June 2013	347	8,686	972	5,509	5,382	20,896
At 31 December 2013	332	7,773	795	8,550	493	17,943
At 30 June 2014	252	6,114	628	6,559	1,084	14,637

Improvements and advances at the year-end relate to the development and modification of software and plant, including advance payments. During the period, assets under development with a cost of $165 thousand came into use and were subsequently reclassified as plant.

10. Mining rights

(Thousands of $)		Amount
At 1 January 2013	$	3,886
Additions		-
Amortisation charge for the period		(49)
Exchange differences		-
At 30 June 2013		3,837
At 1 January 2013	$	3,886
Additions		-
Amortisation charge for the year		(99)
Exchange differences		-
At 31 December 2013		3,787
At 1 January 2014	$	3,787
Additions		-
Amortisation charge for the period		(50)
Exchange differences		-
At 30 June 2014	$	3,737

On 14 October 2011, Patagonia Gold, PGSA and Fomicruz entered into a definitive strategic partnership agreement in the form of a shareholders' agreement ("Fomicruz Agreement") to govern the affairs of PGSA and the relationship between the Company, PGSA and Fomicruz. Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine approximately 100,000 hectares of Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA. The Fomicruz Agreement establishes the terms and conditions of the strategic partnership for the future development of certain PGSA mining properties in the Province. The Company will fund 100% of all exploration expenditures on the PGSA properties to the pre-feasibility stage, with no dilution to Fomicruz. After feasibility stage is reached, Fomicruz is obliged to pay its 10% share of the funding incurred thereafter on the PGSA properties, plus annual interest at LIBOR +1% to the Company. Such debt and interest payments will be guaranteed by an assignment by Fomicruz of 50% of the future dividends otherwise payable to Fomicruz on its shares. Over a five year period, the Company through PGSA is required to invest $5.0 million in exploration expenditures on the properties contributed by Fomicruz, whose rights to explore and mine were contributed to PGSA as part of the Fomicruz Agreement. The Company will manage the exploration and potential future development of the PGSA properties.

Fomicruz contributed to PGSA certain mining rights in exchange for a 10% equity interest in PGSA. Pursuant to IFRS 2 *Share-based Payment*, the mining rights acquired have been measured by reference to the estimated fair value of the equity interest given to Fomicruz. Management has estimated the fair value of the 10% interest in PGSA acquired by Fomicruz, on or about 14 October 2011 at $4.0 million. In determining this fair value estimate, management considered many factors including the net assets of PGSA and the illiquidity of the 10% interest. This amount has been recorded as an increase in the equity of PGSA and as a mining right asset. In the consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to $4.0 million.

Management do not consider there to be any indications of impairment and no review of the carrying value has been undertaken.

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

11. Other receivables

Non-current assets

(Thousands of $)		As at 30 June 2014		As at 30 June 2013		As at 31 December 2013
Recoverable VAT	$	11,262	$	10,846	$	11,041
Other receivables		-		183		164
	$	11,262	$	11,029	$	11,205

The Directors consider Recoverable VAT at 30 June 2014 to be recoverable in full based on post period-end approvals set by the Mining Secretary in Argentina.

The Directors have considered post year-end approvals set by the Mining Secretary in Argentina and consider the Recoverable VAT as at 30 June 2014 to be recoverable in full and no provision is considered necessary. The VAT balances receivable are normally due to the Group in less than one year, but these amounts have been classified as a non-current asset as management's on-going dialogue with the government indicate approval by the Mining Secretary and receipt of the funds may require a timeframe of more than one year.

12. Trade and other receivables

Current assets

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
	$	$	$
Other receivables	196	160	1,070
Prepayments and accrued income	132	131	116
Recharge of costs owed by Landore Resources Limited	76	4	38
UK Recoverable VAT	18	24	11
	$ 422	$ 319	$ 1,235

All trade and other receivable amounts are short-term.

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

There are no past due debtors.

13. Available-for-sale financial assets and finance income

Available-for-sale financial assets

The Company holds available-for-sale financial assets in listed equity securities that are publically traded on the AIM market. Fair values have been determined by reference to their quoted bid prices at the reporting date. The following unrealised losses are included in accumulated other comprehensive income.

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
		$	$
Opening balance	$ 29	94	94
Profit /(loss) for the period	15	(50)	(65)
Exchange differences	-	(5)	-
		$	$
Clossing balance	$ 44	39	29

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	*Level 2*	*Level 3*	*Total*
(Thousands of $)				

As at 30 June 2014				
	$	$	$	$
Listed securities	44	-	-	44
As at 30 June 2013				
	$	$	$	$
Listed securities	39	-	-	39
As at 31 December 2013				
	$	$	$	$
Listed securities	29	-	-	29

During the period, the Company purchased Argentine bonds (BODEN 2015) for $982 thousand, which were transferred to its Argentine subsidiaries as capital contributions. The debt securities were treated as available-for-sale financial assets as they are quoted in active markets. Fair values have been determined by reference to their quoted bond prices at the reporting date.

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
Fair value of bonds held at end of period	$ 999	$ 696	$ -

Finance Income

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
Bank Interest	$ -	$ 117	$ 119
Income from sale of bonds	-	3,704	5,061
Finance income	$ -	$ 3,821	$ 5,180

Subsequent event

During July the Company purchased further Argentine bonds (BODEN 2015) for $980 thousand, which were transferred to its Argentine subsidiaries as capital contributions and subsequently recorded investment income on redemption of the bonds of $448 thousand.

14. Inventory

Inventory comprises gold held on carbon and is valued by reference to the costs of extraction, which include mining and processing activities. Inventory and work in process is valued at the lower of the costs of extraction or net realisable value. Inventories sold are measured by reference to the weighted average cost.

15. Cash and cash equivalents

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
Bank and cash balances	$ 372	$ 337	$ 916
Short-term deposits	83	402	65
	$ 455	$ 739	$ 981

16. Finance lease obligations

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
Within one year	$ 12,299	$ 1,651	$ 6,831
Within two to three years	3,702	2,232	4,634
	$ 16,001	$ 3,883	$ 11,465

At 30 June 2014 PGSA had finance lease agreements for the use of a Bobcat handler for the term of 36 months, together with purchase commitments with Liebherr-Export AG and Volvo Construction Equipment AB. The amount of outstanding instalments, split by due date is shown above.

17. Trade and other payables

Current liabilities

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
	$	$	$
Trade and other payables	8,036	10,338	10,187
Short term loans	12,300	-	6,831
Other accruals	655	481	1,000
	$ 20,991	$ 10,819	$ 18,018

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

The Group takes short term loans for the purpose of financing ongoing operational requirements. The Group's short term loans are denominated in USD and are at fixed rates of interest. Loans are provided from a range of banks.

18. Long term loans and provisions

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
	$	$	$
Long term loans	3,701	-	4,634
Provisions	713	3,219	1,076
	$ 4,414	$ 3,219	$ 5,710

The Group takes long term loans for the purpose of financing ongoing operational requirements. The Group's long term loans granted to PGSA are denominated in $ and are at fixed rates of interest. Long term loans are provided by an Argentinian bank and backed by a Letter of Guarantee from the Company.

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

(Thousands of $)	Reclamation and remediation provision(i)	Tax provision(ii)	Other(iii)	Total
Balance at 1 January 2014	$ 497	$ 394	$ 185	$ 1,076
Net additions	-	-	-	-
Use of allowance	-	-	(185)	(185)
Exchange differences	(99)	(79)	-	(178)
Balance at 30 June 2014	$ 398	$ 315	$ -	$ 713

(i) Reclamation and remediation provision relates to the environmental impact of works undertaken at the balance sheet date.
(ii) Tax provision for withholding tax on foreign suppliers.
(iii) Includes provision for Santa Cruz Water department assessment and road traffic accident. (Note 25.)

19. Share capital

Authorised

Issued and fully paid ordinary shares of 1p each ($0.016)	Number of ordinary shares	Amount
At 1 January 2013	812,630,878	$ 13,126
Issue by placing	41,196,687	620
Exercise of option	1,650,000	25
Exchange difference on translation to $	-	(761)
At 30 June 2013	855,477,565	$ 13,010

At 1 January 2013	812,630,878	$ 13,126
Issue by placing	41,196,687	620
Exercise of option	1,825,000	28
Exchange difference on translation to $	-	334
At 31 December 2013	855,652,565	$ 14,108
At 1 January 2014	855,652,565	$ 14,108
Issue in lieu of Director's fees	3,074,331	51
Exercise of option	5,187,000	86
Exchange difference on translation to $	-	466
At 30 June 2014	863,913,896	$ 14,711

On 26 February 2014, following consultation with the Company's advisors, 3,074,331 ordinary shares in the Company were issued in lieu of the outstanding fees owed to Directors for their services during 2013, under each Director's terms of appointment. The shares were deemed to be allotted for cash at a market price of 11.38 pence each being the volume weighted average share price for the Company for the 30 day period prior to the date of the announcement

During the six months ended 30 June 2014, the Company allotted a total of 5,187,000 new ordinary shares pursuant to the exercise of share options for total gross proceeds of $689 thousand (£415 thousand). $86 thousand (£52 thousand) of the gross proceeds is included in share capital and the balance is included in share premium. Details of the share options exercised are as follows:

Date of share issue	Number of shares	Date options exercised
29 January 2014	1,281,000	15 January 2014
29 January 2014	2,000,000	16 January 2014
20 February 2014	906,000	7 February 2014
24 February 2014	1,000,000	6 February 2014
	5,187,000	

20. Non-controlling interest

GROUP

(Thousands of $)	*Amount*
At 1 January 2013 and 30 June 2013	3,986
Share of operating losses - Lomada de Leiva	(2,904)
At 31 December 2013	1,082
Share of operating losses - Lomada de Leiva	(361)
At 30 June 2014	$ 721

On 14 October 2011, Patagonia Gold, PGSA and Fomicruz entered into the Fomicruz Agreement (Note 10). Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine approximately 100,000 hectares of Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA.

The fair value of the rights to explore and mine approximately 100,000 hectares has been estimated by management at $4.0 million in accordance with IFRS 2 *Share-based Payments*. This amount has been recorded as an increase in the equity of PGSA and as mining rights. In the consolidated financial statements, the increase in equity of PGSA has been recorded as non-controlling interest.

The share of operating losses relates to Lomada de Leiva which commenced production in Q3 2013.

21. Operating lease commitments

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

(Thousands of $)	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013
Operating leases which expire:			
Within one year	$ 185	$ 111	$ 217
Within two to five years	237	80	313
	$ 422	$ 191	$ 530

The Group has a number of operating lease agreements involving office and warehouse space with maximum terms of three years.

22. Related parties

During the period, the following transactions were entered into with related parties:

	Six months ended	Six months ended	Year ended

(Thousands of $)	Notes	30 June 2014	30 June 2013	31 December 2013
Landore Resources Limited	(i)	$ 70	$ 62	$ 144
Cheyenne S.A.	(ii)	41	33	60
MB Holding S.A.	(iii)	6	7	12
Agropecuaria Cantomi S.A.	(iv)	60	20	48
Lusemana S.A.	(v)	-	20	37
El Salvador 4040 S.A.	(vi)	-	20	37

(i) During the period the Company recharged costs, consisting mainly of accommodation and travel expenses, to Landore Resources Limited ("Landore") and there was a balance owing to the Company from Landore at 30 June 2014 of $75,975 (30 June 2013: $4,134; 31 December 2013: $53,602). Landore is a related party because William H. Humphries is a Director and shareholder.

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

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

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

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

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

23. Share-based payments

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

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

	30 June 2014			31 December 2013		
	Weighted average exercise price pence	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price pence**	**Weighted average exercise price $**	**Number of options**
Outstanding at the beginning of the period	15.46	$0.242	84,070,000	23.81	$0.385	76,445,000
Granted during the period	-	-	-	11.99	0.188	10,100,000
Exercised during the period	8.00	0.133	(5,187,000)	8.75	0.137	(1,825,000)
Lapsed during the period	-	-	-	13.65	0.214	(650,000)
Outstanding and exercisable at the end of the period	15.95	$0.266	78,883,000	15.46	$0.242	84,070,000

Options outstanding at 30 June 2014 have an exercise price in the range of $0.117 (6.875p) per option to $1.056 (62.00p) per option and a weighted average contractual life of 6.90 years.

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

	Six months ended 30 June 2014	**Year ended 31 December 2013**
Weighted average share price	10.50p ($0.179)	20.26p ($0.334)
Exercise price	10.50p ($0.179)	19.75p ($0.326)
Expected volatility (experssed as a percentage used in the modelling under Black-Scholes model)	42.40%	52.07%
Dividend yield	nil	nil

Option life (maximum)	10 years	10 years
Risk free interest rate (based on national government bonds)	0.5%	0.5%

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

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

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

(Thousands of $)	Six months ended 30 June 2014		Six months ended 30 June 2013		Year ended 31 December 2013	
New options granted in the period	$	6	$	160	$	1,619
Re-priced share options granted in prior years		-		-		652
	$	6	$	160	$	2,271

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

The total number of options over ordinary shares outstanding at 30 June 2014 was as follows:

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
23 November 2004	Senior management	500,000	14.75	0.40
22 June 2005	Senior management and employee	125,000	7.5	0.98
6 December 2005	Senior management	100,000	8.0	2.43
17 May 2006	Senior management	200,000	14.5	1.88
1 March 2007	Employees	75,000	6.875	2.67
23 May 2007	Senior management	200,000	8.0	2.90
5 June 2007	Director and employees	1,100,000	8.0	2.93
5 June 2007	Employee	25,000	10.5	2.93
3 June 2008	Director and employees	1,125,000	8.0	3.93
9 June 2009	Employees	1,175,000	12.0	4.94
23 June 2009	Directors and senior management	17,913,000	12.25	4.98
17 June 2010	Directors and employees	5,850,000	15.00	5.97
1 August 2010	Employee	300,000	15.00	6.09
10 February 2011	Directors	5,500,000	11.00	6.12
21 February 2011	Senior management	800,000	11.00	6.65
9 May 2011	Employees	500,000	43.50	6.75
13 May 2011	Directors and senior management	4,400,000	11.00	6.87
24 May 2011	Senior management	1,000,000	39.00	8.40
10 June 2011	Employees	1,250,000	11.00	6.95
10 June 2011	Employees	925,000	40.00	6.95
15 August 2011	Employee	200,000	62.00	7.13
1 September 2011	Senior management	500,000	11.00	7.18
1 November 2011	Directors	750,000	11.00	7.34
1 November 2011	Directors	750,000	50.25	7.34
6 December 2011	Employee	20,000	54.00	7.44
31 January 2012	Directors and senior management	4,500,000	11.00	7.59
1 July 2012	Senior management	1,500,000	25.00	8.00
3 December 2012	Senior management and employees	3,000,000	22.75	8.43
9 January 2013	Directors	14,500,000	22.75	8.53
27 February 2013	Senior management	1,000,000	15.50	8.67
12 June 2013	Employee	150,000	10.50	8.95

12 September 2013	Directors	1,500,000	11.00	9.20
19 September 2013	Director and senior manager	6,000,000	11.75	9.22
10 October 2013	Employees	1,450,000	11.75	9.28
Total		78,883,000		

24. Financial commitments

Property, plant and equipment

During the period the Group entered into purchase commitments totalling $0.853 million (31 December 2013: $3.5 million) with Liebherr related to the purchase of heavy duty mining equipment. Commencing upon receipt of shipment, instalments are payable to the vendor semi-annually over a two-year period.

Fomicruz Agreement

On the Fomicruz properties whose rights to explore and mine were contributed to PGSA as part of the Fomicruz Agreement signed on 14 October 2011, the Company will invest $5.0 million on exploration expenditures over five years.

Barrick Agreement

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

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

25. Contingent liability

As shown in Note 18, provisions at 30 June 2014 include amounts provided in relation to a contingent liability.

Water Department assessment

In September 2012, the Water Department of the Province of Santa Cruz imposed a $ 0.11 million (AR$ 0.72 million) assessment on PGSA alleging PGSA had been using water without the Water Department's authorisation and delayed filing of monthly reports on volume of water used. PGSA believes the assessment is not justified and has filed an appeal. The fine has been confirmed by the Authority, while PGSA filed a petition for payment facilitation plan in May 2013. On 7 February 2014 this petition was granted in 18 consecutive instalments of AR$ 0.04 million each with a 1.20% monthly interest calculated on the total debt. As 30 June 2014, four instalments have been paid.

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