Patagonia Gold PLC : Half Yearly Report

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Patagonia Gold PLC
30 September 2015

PATAGONIA GOLD PLC

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

For the six months ended June 30, 2015
(Unaudited)

CHAIRMAN'S INTRODUCTION

I am pleased to present the Company's unaudited interim report for the six months ended 30 June 2015.

Raising equity in the current economic climate continues to be a challenge. Our Lomada heap leach project remains the primary source of income for the Company and despite lower production in the first six months of the year will generate cash through the fluctuations in the market price of gold.

Development works continue on our other core projects, full details of which are set out in the following Operations Report.

During the period Mr Christopher van Tienhoven was appointed to the Board as Chief Executive Officer. We welcome him and look forward to working with him and believe that his experience will significantly add to the Company going forward.

Our new management team continues to look to reduce costs both in the UK and in Argentina in the context of the current market conditions.

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, 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 and high 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.

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 30 March 2015 are listed in the table below;

INDICATED RESOURCES							
Area	Indicated	Grade (g/t)			Metal (Oz)		
Name	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq
La Manchuria	425,705	2.95	135	4.07	40,317	1,848,211	55,684
COSE	49,000	27.8	1466	52.2	44,000	2,325,000	83,000
Cap-Oeste	14,585,000	1.82	56.32	2.76	855,000	26,407,000	1,295,000
Lomada*	5,002,016	1.003	NA	NA	161,346	0	161,346
TOTAL Indicated					1,100,663	30,580,211	1,595,030

INFERRED RESOURCES							
Area	Inferred	Grade (g/t)			Metal (Oz)		
Name	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq
La Manchuria	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682
COSE	20,000	12.5	721	24.5	8,000	464,000	16,000
Cap-Oeste	8,392,000	1	25.79	1.43	269,000	696,000	385,000
Lomada	3,412,270	0.672	NA	NA	73,726	NA	73,726
Total Inferred					423,061	3,495,236	565,408

INDICATED + INFERRED RESOURCES							
					Au	Ag	AuEq
Total IND + INF Oz					1,523,724	34,075,447	2,160,438

**Lomada resource to be depleted during Q3 2015, pending completion of third party estimation*

Table 1: 2015 resource Statement Santa Cruz Properties

Lomada de Leiva Project

The Lomada Mine produced 29,347 ounces in 2014 with annual gross revenue of $34.87 million, with all-in costs for the Lomada project of $775/Oz. Total forecast production for 2015 has been estimated at 31,000Oz

Operational difficulties have been experienced throughout the last 12 months due to restrictions applied on the importation of spare parts and for this reason machine availability has suffered significantly with respect to the first 2 years of operation. An operational update will be provided in due course once forecasts can be revised and a schedule completed for the next 12 months of operation.

Exploration on the 40,000 hectare La Paloma block has commenced and detailed ground magnetics, and a geochemical, trenching and drilling programme will be ongoing throughout the remainder of the year and 2016. The objective is to replenish and expand the 30,000 ounces of production per annum and explore the previously under explored La Paloma block. Targets have already been defined with the objective to drill these targets during 2015 once a rig becomes available from the El Tranquilo and La Manchuria blocks

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 a total of 502 drill holes for 102,300m and all this data was utilised in the re-interpretation and modelling of the Cap-Oeste deposit during January 2015. Mineralisation was modelled in a broader envelope and included new holes not incorporated into the previously published resource dated 10 September 2012. In March 2015, an updated resource estimate was calculated with the Cap-Oeste mineralisation now hosting 1,295,000 AuEq ounces and a further 385,000 ounces contained in the Inferred category.

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.

Development of the Cap-Oeste asset is seen as a critical and necessary step for the future of the Company in Argentina. Over the last two years several options have been investigated in depth and in March 2015 a detailed pre-feasibility study was completed on the oxide portion of the Cap-Oeste resource. The study included an updated and remodelled resource, a plant and heap leach pad design and exhaustive metallurgical test work carried out over an extended period to optimise the feed criteria for a heap leach operation. The economic returns from the project although positive were not sufficiently robust to give the Company the comfort to advance at this stage, the principal reason being that the life of mine is too short and additional tonnages of cyanide leachable material are needed to advance with the project development.

Test work continues on the sulphide material in search of a suitable solution to recover the gold trapped in the refractory portion and the non-refractory mineralisation. A mine design accessing only the super high grade portion of the Cap-Oeste mineralisation is underway. A mixture of very high grade COSE style mineralisation has been identified within areas previously classified as refractory sulphide, this mineralisation has abundant free gold and very high grade leachable silver sulphides present within the sulphide envelope. A 5 hole programme completed in February 2015 highlighted the potential for small tonnage high grade resource similar to COSE to be delineated within the existing sulphide material.

Table 2: Significant intersections from four holes:

Hole ID	From	To	(m)	Au (g/t)	Ag (g/t)	Au_Eqv (g/t)
CO-402-D	81.30	86.66	5.36	8.36	288	12.25
CO-403-D	101.32	113.60	12.28	25.43	363	30.33
CO-404-D	136.80	144.52	7.72	145.61	1,307	163.26
CO-406-D	203.42	211.37	7.95	97.67	4,135	153.54

 # Hole CO-402-D suffered significant core loss in the highest grade interval hence results are considered conservative
No upper cuts were applied to intervals during reporting
Gold Equivalent (Au Eqv) was calculated at a Ag;Au ratio of 74:1

Drilling will commence again in early October 2015 with the objective of finalising geotechnical study work and collecting the final metallurgical composite sample. A detailed gold deportment study is currently being completed and this work will be utilised in conjunction with the final round of float and cyanidation test work to complete the process design and flow sheet for the installation of a small tonnage plant and Merrill Crowe metals recovery circuit.

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 the Tango prospect.

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 of slightly below 100,000 AuEq ounces being delineated in approximately 69,000 tonnes of material in the updated resource estimate prepared in March 2015. 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 44 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.

A resource model and pre-feasibility study has been completed. The updated resource estimate increased the contained resource in the Indicated category to 83,000 ounces AuEq with the overall resource tonnage increasing to 69,000 tonnes and overall average grade dropping to 44.8 g/t AuEq. The COSE project is to be included into the expanded Cap-Oeste high grade sulphide mine and development programme currently underway with no further work required on COSE at this stage, apart from 1 metallurgical drill hole which will be completed by mid-October 2015.

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 AuEq 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 has recommenced and drilling is due to start later this year on geophysical targets defined by a recently completed pole-dipole study, as results become available the market will be made updated.

El Tranquilo Project

Exploration at the El Tranquilo project over the past 12 months has focussed on developing a deeper understanding of the structural-stratigraphic architecture of the project area to better comprehend the controls on the mineralisation. The programme has incorporated detailed geological mapping, widespread application of ground magnetics, gradient array IP geophysics, soil geochemistry and reconnaissance RC drilling, culminating in an extensive and detailed Pole-Dipole Induced Polarisation (IP) geophysical survey to develop high priority targets that will be drill tested during the latter part of 2015.

The following volumes of work have been completed; (from 1/06/2014 to 31/08/2015)

Type	Volume	Comment
Mapping	53km^2	El Tranquilo central area
Soil Geochemistry	889 samples	Las Palmeras and El Valle prospects
Ground Magnetics	2051 line km	Total of 122.5km^2.
Gradient Array IP	157 line km	200-400m line spacing
Pole-Dipole IP	81 line km	100-200m line spacing. Mostly on Cap Oeste-COSE corridor
Saw channels	131.8m	
Trenching	5367m	
RC Drilling	5828m	Shallow reconnaissance drilling
Diamond Drilling	3118m	Includes Cap Oeste resource infill drilling

Data from the programme of systematic geological mapping, geophysics, geochemistry trenching, and drilling has now been integrated into a comprehensive litho-structural model for the Cap Oeste - COSE corridor. This multi-faceted exploration programme has highlighted several high priority targets that are scheduled to be drill tested during October - November 2015. The highest priority targets include;

La Pampa. Located beneath 10-15m of periglacial gravels, 2.2km to the NW of Cap Oeste, along the Bonanza Fault - Esperanza fault corridor where very strong and coincident IP resistivity and chargeability anomalies have been defined. The large geophysical target has not been drill tested previously however isolated drilling nearby intersected gold grades up to 6.59ppm.

Cap Oeste. A 1.1km long, very strong chargeability anomaly located in the footwall of Bonanza fault, immediately north east of the Cap Oeste mineralisation that has never been tested by drilling

El Valle. The prospect hosts paleo hot-springs, silica sinter deposits and extensive hydrothermal eruption breccias overlying a deep IP geophysical target interpreted to be located on a graben bounding fault. Trenching has returned intersections up to 21m at 1.0ppm Au and extremely high pathfinder elements.

Alina. An IP chargeability anomaly coincident with an intense magnetic susceptibility low in a position interpreted to be located on a major tectonic feature dividing the Valle and Cap Oeste-COSE sectors.

Bonanza and Tango. Both prospects host untested, strong, coincident COSE style Chargeability-Resistivity anomalies associated with structures known to host mineralisation.

One of the important understandings coming from the development of the litho-stratigraphic model is the recognition of late to post mineralisation cover sequences that are interpreted to be masking deeper mineralisation. As a result, the next phase of drilling will evaluate deeper targets.

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

	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)	Year ended 31 December 2014 (audited)
		$'000	$'000	$'000
Continuing operations				
Revenue		14,047	15,642	35,867
Cost of sales		(13,960)	(11,970)	(26,102)
Gross profit		87	3,672	9,765
Exploration costs		(3,562)	(2,129)	(5,179)
Administration costs				
Share-based payments charge	23	(32)	(6)	(555)
Other administrative costs	5	(3,396)	(5,977)	(10,605)
		(3,428)	(5,983)	(11,160)
Finance income		875	-	1,202
Finance costs		(323)	(451)	(1,011)
Loss before taxes		(6,351)	(4,891)	(6,383)
Income tax benefit/(charge)		62	581	(372)
Loss for the period		(6,289)	(4,310)	(6,755)
Attributable to non-controlling interest	20	(503)	(361)	(335)
Attributable to equity share owners of the parent		(5,786)	(3,949)	(6,420)
		(6,289)	(4,310)	(6,755)
Other comprehensive loss				
Items that will not be reclassified to profit or loss:				
Gain / (Loss) on revaluation of available-for-sale financial assets	13	3	15	(9)
Items that may be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations		(1,620)	(4,816)	(5,249)
Other comprehensive loss for the period		(1,617)	(4,801)	(5,258)
Total comprehensive loss for the period		(7,906)	(9,111)	(12,013)
Total comprehensive loss for the period attributable to:				
Non-controlling interest		(503)	(361)	(335)
Owners of the parent		(7,403)	(8,750)	(11,678)
		(7,906)	(9,111)	(12,013)
Net loss per share				
Basic loss per share		(0.01)	(0.01)	(0.01)
Diluted loss per share		(0.01)	(0.01)	(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

	Note	As at 30 June 2015 (unaudited)	As at 30 June 2014 (unaudited)	As at 31 December 2014 (audited)
ASSETS		$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	9	9,730	14,637	11,789
Mineral properties	8	4,795	5,599	5,191
Mining rights	10	3,638	3,737	3,687
Available-for-sale financial assets	13	20	44	18
Other receivables	11	10,208	11,262	12,408
Deferred tax asset		2,810	3,521	2,694
		31,201	38,800	35,787
Current assets				
Available-for-sale financial assets	13	0	999	1,792
Inventory	14	1,737	2,138	3,525
Trade and other receivables	12	1,703	422	878
Cash and cash equivalents	15	2,620	455	5,588
		6,060	4,014	11,783
Total assets		37,261	42,814	47,570
LIABILITIES				
Current liabilities				
Short-term loans	17	7,207	12,300	8,046
Trade and other payables	17	6,851	8,691	8,241
		14,058	20,991	16,287
Non-current liabilities				
Long-term loans	18	2,035	3,701	2,786
Provisions	18	1,059	713	1,133
		3,094	4,414	3,919
Total liabilities		17,152	25,405	20,206
EQUTIY				
Share capital	19	16,659	14,711	16,256
Share premium account		163,616	166,492	161,285
Currency translation reserve		(19,403)	(32,707)	(15,453)
Share-based payment reserve		18,238	19,156	17,990
Accumulated losses		(159,245)	(150,964)	(153,461)
Equity attributable to shareholders of the parent		19,865	16,688	26,617
Non-controlling interest	20	244	721	747
Total equity		20,109	17,409	27,364
Total liabilities and equity		37,261	42,814	47,570

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

(Unaudited)

		Equity attributable to shareholders of the parent							
	Note	Share capital $'000	Share premium account $'000	Currency translation reserve $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total attributable to owners $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2014		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 by placing	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
At 1 January 2014		14,108	160,087	(21,547)	18,804	(147,294)	24,158	1,082	25,240
Changes in equity for year ended 31 December 2014									
Share-based payment	23		-	-	555	-	555	-	555
Issue of share capital									
Issue by placing	19	2,901	10,505	-	-	-	13,406	-	13,406
Transaction costs of placing		-	(513)	-	-	-	(513)	-	(513)
Exercise of option	19	86	603	-	(262)	262	689	-	689
Transactions with owners		2,987	10,595	-	293	262	14,137	-	14,137
Loss for the year		-	-	-	-	(6,420)	(6,420)	(335)	(6,755)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets	13	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to dollars		(839)	(9,397)	6,094	(1,107)	-	(5,249)	-	(5,249)
Total comprehensive income (loss) for the period		(839)	(9,397)	6,094	(1,107)	(6,429)	(11,678)	(335)	(12,013)
At 31 December 2014		16,256	161,285	(15,453)	17,990	(153,461)	26,617	747	27,364
Changes in equity for first six months of 2015									
Share-based payment	23	-	-	-	33	-	33	-	33
Issue of share capital									
Issue in lieu of fees	19	210	409	-	-	-	619	-	619
Transactions with owners		210	409	-	33	-	652	-	652
Loss for the period		-	-	-	-	(5,786)	(5,786)	(503)	(6,289)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets	13	-	-	-	-	2	2	-	2
Exchange differences on translation to dollars		193	1,922	(3,950)	215	-	(1,620)	-	(1,620)
Total comprehensive income (loss) for the period		193	1,922	(3,950)	215	(5,784)	(7,404)	(503)	(7,907)
At 30 June 2015		16,659	163,616	(19,403)	18,238	(159,245)	19,865	244	20,109

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

PATAGONIA GOLD PLC

Condensed Consolidated Interim Statement of Cash Flows

	Note	Six months ended 30 June 2015 (unaudited) $'000	Six months ended 30 June 2014 (unaudited) $'000	Year ended 31 December 2014 (audited) $'000
Operating activities				
Net loss for the period		(6,289)	(4,310)	(6,755)
Adjustments for:				
Finance income	13	(875)	-	(1,202)
Finance costs		323	451	1,011
Depreciation and amortization	8,9&10	1,343	2,318	5,717
Decrease/(increase) in available for sale financial assets		1,792	(999)	(1,792)
Decrease/(increase) in inventory		1,788	803	(584)
Decrease/(increase) in trade and other receivables		1,375	756	(846)
(Increase)/decrease in deferred tax asset		(116)	48	875
(Decrease)/increase in trade and other payables	17	(1,390)	(2,496)	94
(Decrease)/increase in long-term provisions	18	(74)	(363)	57
Share-based payments charge	23	32	6	555
Net cash used in operating activities		(2,091)	(3,786)	(2,870)
Investing activities				
Finance income		875	-	1,202
Purchase of property, plant and equipment		(281)	(2,050)	(2,461)
Additions to mineral properties		(132)	(134)	(705)
Proceeds from disposal	9	512	-	87
Net cash used in investing activities		974	(2,184)	(1,877)
Financing activities				
Finance costs		(323)	(451)	(1,011)
Increase in loans	17&18	5,710	4,536	12,330
Repayment of loans	17&18	(6,957)	-	(16,790)
Proceeds from issue of share capital	19	619	585	13,406
Transaction costs of placing	19	-	-	(513)
Proceeds from exercise of options	19	-	689	689
Net cash from financing activities		(951)	5,359	8,111
Net (decrease)/increase in cash and cash equivalents		(2,068)	(611)	3,364
Cash and cash equivalents at beginning of year		5,588	981	981
Effects of exchange rate fluctuations on cash and cash equivalents		(900)	85	1,243
Cash and cash equivalents at end of period	15	2,620	455	5,588

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, 2015
(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 2014 were approved by the Board of Directors on 8 April 2015. 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 31 December 2014. 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.

The Group is an advanced gold and silver exploration and development company which commenced commercial production of gold in July 2013 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva Project. Gold production continues despite operation difficulties primarily arising from poor equipment availability due to import restrictions of spare parts. The Company embarked on an exploration programme in the 40,000ha Lomada tenement with a view to replacing the depleting ounces from operation thus extending the mine's life.

Patagonia Gold's growth strategy includes the development the flagship Cap-Oeste / COSE Project. Options are being considered to develop the project in two stages, the first stage being an oxide leach process from Cap Cap-Oeste resource together with the COSE project and the second stage being the development of the Cap Cap-Oeste sulphide mineralisation.

Regular monthly cash flow from the Lomada Project main heap leach together with short term financing facilities, are targeted to partly finance the Company's exploration programme for 2015 and continuing studies on the Cap Cap-Oeste / COSE project.

The Directors consider that the Group and parent company cash reserves as at 30 June 2015, together with expected operating cash inflows from Lomada, anticipated VAT recovery, proceeds from asset sales, and expected funding availability from existing open lines of credit, will enable the Group to meet all of its financial commitments, including loan repayments, as they fall due over a period of at least 12 months from the date of this report. Taking into account the nature of the Group's current and planned activities and the flexibility that this provides operationally and for cash flow purposes, the directors have therefore concluded that the condensed consolidated interim financial statements should be prepared on a going concern basis.

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 2015 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 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 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 period 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 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Argentina and Chile(1)	(4,770)	(6,088)	(12,122)
United Kingdom	(1,371)	(1,469)	(3,159)
Canada	(21)	-	(56)
Argentina - Lomada Project	(127)	3,247	8,582
	(6,289)	(4,310)	(6,755)

(1) Segment represents other exploration projects.

Total assets

(Thousands of $)	As at 30 June 2015	As at 30 June 2014	As at 31 December 2014
Argentina and Chile(1)	20,647	20,034	26,733
Argentina - Lomada Project	13,606	17,017	14,074
United Kingdom	1,447	4,203	5,095
Argentina - COSE Project	1,557	1,560	1,664
Canada	4	-	4
	37,261	42,814	47,570

(1) Segment represents other exploration projects.

Total liabilities

(Thousands of $)	As at 30 June 2015	As at 30 June 2014	As at 31 December 2014
Argentina and Chile(1)	10,316	11,659	12,217
Argentina - Lomada Project	6,127	8,403	6,456
United Kingdom	705	5,343	1,493
Argentina - COSE Project	-	-	-
Canada	4	-	40
	17,152	25,405	20,206

(1) Segment represents other exploration projects.

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

(Thousands of $)	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Argentina(1)	3,562	2,129	5,179

(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 2015	Six months ended 30 June 2014	Year ended 31 December 2014
General and administrative	1,438	1,274	2,784
Local Argentina taxes	328	158	758
Professional fees	269	321	737
Payments under operating leases	96	58	182
Foreign exchange	568	1,047	3,604
Parent and subsidiary company Directors' remuneration	378	465	960
Profit on sale of assets	(1,475)	-	(132)
Depreciation	1,294	2,268	5,617
Amortisation of mining rights	49	50	100
Depreciation allocated to inventory	(932)	-	(4,168)
Impairment of inventory	1,224	-	-
VAT expense/(income)	42	197	(153)
Consultancy fees	117	139	316
	3,396	5,977	10,605

6. Remuneration of Directors and key management personnel

Parent company Directors' emoluments:

(Thousands of $)	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Directors fees	241	346	676
Salaries	32	-	-
	273	346	676

In the six months ended 30 June 2015, the highest paid Director received $57 thousand (six months ended 30 June 2014: $142 thousand). This amount does not include any share-based payments charge.

Key management personnel emoluments:

(Thousands of $)	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Share-based payments charge	32	-	392
Salaries	142	139	273
Other compensation, including short-term benefits	265	370	716
	439	509	1,381

7. Loss per share

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

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Loss after tax (Thousands of $)	(6,289)	(3,949)	(6,420)
Weighted average number of shares	1,047,855,280	861,758,991	873,856,656
Basic and diluted loss per share ($)	(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 2015, there were 95,258,000 (30 June 2014: 78,883,000; 31 December 2014: 85,383,000) share options and 24,705,000 warrants (30 June 2014 and 31 December 2014: 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 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
Additions	393	-	178	571
Disposals	-	-	-	-
Exchange differences	(119)	(92)	(74)	(285)
At 31 December 2014	3,211	1,850	1,664	6,725
At 1 January 2015	3,211	1,850	1,664	6,725
Additions	130	-	2	132
Disposals	-	-	-	-
Exchange differences	(192)	(122)	(109)	(423)
At 30 June 2015	3,149	1,728	1,557	6,434
Amortization				
At 1 January 2014	542	-	-	542
Charge for the period	424	-	-	424
Exchange differences	(126)	-	-	(126)
At 30 June 2014	840	-	-	840
Charge for the period	759	-	-	759
Exchange differences	(65)	-	-	(65)
At 31 December 2014	1,534	-	-	1,534
At 1 January 2015	1,534	-	-	1,534
Charge for the period	213	-	-	213
Exchange differences	(108)	-	-	(108)
At 30 June 2015	1,639	-	-	1,639
Net book value				
At 30 June 2014	2,097	1,942	1,560	5,599
At 31 December 2014	1,677	1,850	1,664	5,191
At 30 June 2015	1,510	1,728	1,557	4,795

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 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
Additions	2	193	-	216	-	411
Transfers	-	960	135	(99)	(996)	-
Disposals	-	(87)	-	-	-	(87)
Exchange differences	(42)	(366)	(32)	(382)	(19)	(841)
At 31 December 2014	606	8,707	777	8,810	69	18,969

At 1 January 2015	606	8,707	777	8,810	69	18,969
Additions	106	105	-	70	-	281
Transfers	3	19	-	-	(22)	-
Disposals	(27)	(904)	-	-	-	(931)
Exchange differences	(19)	(572)	(51)	(579)	(5)	(1,226)
At 30 June 2015	669	7,355	726	8,301	42	17,093
Depreciation						
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
Disposals	-	(87)	-	-	-	(87)
Charge for the period	46	449	7	2,175	-	2,677
Exchange differences	(27)	(44)	(2)	(186)	-	(259)
At 31 December 2014	413	2,211	51	4,505	-	7,180
At 1 January 2015	413	2,211	51	4,505	-	7,180
Disposals	(27)	(392)	-	-	-	(419)
Charge for the period	50	415	7	609	-	1,081
Exchange differences	(12)	(146)	(3)	(318)	-	(479)
At 30 June 2015	424	2,088	55	4,796	-	7,363
Net book value						
At 30 June 2014	252	6,114	628	6,559	1,084	14,637
At 31 December 2014	193	6,496	726	4,305	69	11,789
At 30 June 2015	245	5,267	671	3,505	42	9,730

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 2014	$	3,787
Additions		-
Amortisation charge for the period		(50)
Exchange differences		-
At 30 June 2014		3,737
At 1 January 2014	$	3,787
Additions		-
Amortisation charge for the year		(100)
Exchange differences		-
At 31 December 2014		3,687
At 1 January 2015	$	3,687
Additions		-
Amortisation charge for the period		(49)
Exchange differences		-
At 30 June 2015	$	3,638

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 2015	As at 30 June 2014	As at 31 December 2014
Recoverable VAT	9,889	11,262	12,191
Other receivables	319	-	217
	10,208	11,262	12,408

The Directors consider Recoverable VAT at 30 June 2015 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 2015 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 2015	As at 30 June 2014	As at 31 December 2014
Other receivables	1,586	196	672
Prepayments and accrued income	92	132	126
Recharge of costs owed by Landore Resources Limited	13	76	15
UK Recoverable VAT	12	18	65
	1,703	422	878

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 2015	As at 30 June 2014	As at 31 December 2014
Opening balance	18	29	29
Profit /(loss) for the period	2	15	(11)
Closing balance	20	44	18

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:

(Thousands of $)	*Level 1*	*Level 2*	*Level 3*	*Total*
As at 30 June 2015				
Listed securities	20	-	-	20
As at 30 June 2014				
Listed securities	44	-	-	44
As at 31 December 2014				
Listed securities	1,810	-	-	1,810

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 2015**	**As at 30 June 2014**	**As at 31 December 2014**
Fair value of bonds held at end of period	-	999	1,792

Finance Income

(Thousands of $)	**As at 30 June 2015**	**As at 30 June 2014**	**As at 31 December 2014**
Bank Interest	36	-	1
Income from sale of bonds	839	-	1,201
Finance income	875	-	1,202

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 2015**	**As at 30 June 2014**	**As at 31 December 2014**
Bank and cash balances	2,320	372	5,526
Short-term deposits	300	83	62
	2,620	455	5,588

16. Finance lease obligations

(Thousands of $)	**As at 30 June 2015**	**As at 30 June 2014**	**As at 31 December 2014**
Within one year	7,207	12,300	8,046
Within two to three years	2,035	3,701	2,786
	9,242	16,001	10,832

At 30 June 2015 PGSA had finance lease agreements for two Toyota vehicles 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 2015	As at 30 June 2014	As at 31 December 2014
Trade and other payables	6,281	8,036	7,197
Short term loans	7,207	12,300	8,046
Other accruals	570	655	1,044
	14,058	20,991	16,287

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 2015	As at 30 June 2014	As at 31 December 2014
Long term loans	2,035	3,701	2,786
Provisions	1,059	713	1,133
	3,094	4,414	3,919

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 2015	778	300	55	1,133
Net additions	-	-	-	-
Use of allowance	-	-	-	-
Exchange differences	(51)	(20)	(3)	(74)
Balance at 30 June 2015	727	280	52	$ 1,059

(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 2014	855,652,565	$	14,108
Issue by placing	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
At 1 January 2014	855,652,565	$	14,108
Issue by placing	182,688,427		620
Issue in lieu of Director's fees	3,074,331		52
Exercise of option	5,187,000		86
Exchange difference on translation to $	-		(839)
At 31 December 2014	1,046,602,323	$	16,256
At 1 January 2015	1,046,602,323	$	16,256

Issue in lieu of professional fees	1,111,111	17
Issue in lieu of Director's fees	12,241,993	193
Exchange difference on translation to $	-	193
At 30 June 2015	1,059,955,427	$ 16,659

In February 2015, the Company allotted 1,111,111 new ordinary shares of 1p each to certain of the Company's advisers in lieu of cash payments.

On 24 June 2015, following consultation with the Company's advisors, 12,241,993 ordinary shares in the Company were issued in lieu of the outstanding fees owed to Directors for their services during 2014, under each Director's terms of appointment. The shares were deemed to be allotted for cash at a market price of 2.81 pence each being the volume weighted average share price for the Company for the 30 day period prior to the date of the announcement.

20. Non-controlling interest

GROUP

(Thousands of $)	*Amount*
At 1 January 2015	747
Share of operating losses - Lomada de Leiva	(503)
At 30 June 2015	244

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 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 2015**	**As at 30 June 2014**	**As at 31 December 2014**
Operating leases which expire:			
Within one year	212	185	178
Within two to five years	134	237	169
After five years	-	-	-
	346	422	347

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:

(Thousands of $)	**Notes**	**Six months ended 30 June 2015**	**Six months ended 30 June 2014**	**Year ended 31 December 2014**
Landore Resources Limited	(i)	59	70	150
Cheyenne S.A.	(ii)	6	41	75
MB Holdings S.A.	(iii)	-	6	11
Agropecuaria Cantomi S.A.	(iv)	66	60	124

(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 2015 of $13 thousand (30 June 2014: $76 thousand; 31 December 2014: $30 thousand). Landore was 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) In prior periods the Group paid MB Holding S.A. ("MB") for the provision of an office and related administrative services in Buenos Aires, no payments were made in this period. 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.

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 2015			31 December 2014		
	Weighted average exercise price pence	$	Number of options	Weighted average exercise price pence	$	Number of options
Outstanding at the beginning of the period	15.30	$0.238	85,383,000	15.46	$0.242	84,070,000
Granted during the period	2.50	0.039	10,000,000	7.875	0.130	7,000,000
Exercised during the period	-	-	-	8.00	0.132	(5,187,000)
Lapsed during the period	7.50	0.118	(125,000)	14.75	0.243	(500,000)
Outstanding and exercisable at the end of the period	13.96	$0.219	95,258,000	15.30	$0.238	85,383,000

Options outstanding at 30 June 2015 have an exercise price in the range of $0.039 (2.50p) per option to $0.974 (62.00p) per option and a weighted average contractual life of 6.58 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 2015	Year ended 31 December 2014
Weighted average share price	2.50p ($0.039)	9.19p ($0.143)
Exercise price	2.50p ($0.039)	9.19p ($0..143)
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	52.00%	47.49%
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 2015	Six months ended 30 June 2014	Year ended 31 December 2014
New options granted in the period	$ 32	$ 6	$ 555
Re-priced share options granted in prior years	-	-	-
	$ 32	$ 6	$ 555

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

The total number of options over ordinary shares outstanding at 30 June 2015 was as follows:

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
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
25 July 2014	Director and senior manager	7,000,000	7.875	9.07
31 March 2015	Senior management	10,000,000	2.50	9.76
Total		95,258,000		

24. Financial commitments

Property, plant and equipment

During the period the Group entered into purchase commitments totalling $0.1 million (31 December 2014: $0.5 million) related to the purchase of two Toyota vehicles, instalments are payable to the vendor over 37 instalments.

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 200,000 ounces 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 2015 include amounts provided in relation to two contingent liabilities.

Road Traffic Accident

In October 2011 and March 2012, following a fatal road traffic accident in Argentina, compensation claims were made outside of the life insurance policy held by PGSA. These are non-judicial claims against PGSA that have been partially settled through a mediation process among PGSA, the automobile insurance company, and the claimants. According to those settlement agreements, the automobile insurance company paid the agreed compensations to the claimants, while PGSA committed to afford some of the court expenses and settlement fees. On 7 October 2014, PGSA was notified of the judicial complaint for compensation for moral damages, loss of economic aid, and expenses, filed by the inheritors of one of the victims against PGSA, amounting to $ 0.229 million (AR$ 2.1 million) plus interest. As at 30 June 2015, although the plaintiff claims compensation relating to loss of economic aid and expenses, those items have already been covered under an out-of-court previous settlement by the labor risk insurance company of PGSA. As at that date, the claim remains partially outstanding with respect to the moral damages item and a provision of $ 52 thousand (AR$ 470 thousand) has been recorded.

Water Department assessment

In September 2012, the Water Department of the Province of Santa Cruz imposed a $ 0.08 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 at 30 June 2015, sixteen instalments have been paid, the remaining instalments are included under other payables.

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