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Patagonia Gold PLC
11 April 2019

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Patagonia Gold
("Patagonia Gold" or "the Company")

Final Results for the Year Ended 31 December 2018

Patagonia Gold Plc (AIM:PGD), the mining and development company with gold and silver projects in Argentina, Chile and Uruguay, announces its audited financial results for the year ended 31 December 2018.

These results are presented in United States dollars ("$") unless otherwise stated.

The full audited report, including the consolidated Financial Statements shown below, is also available on the Company's website at www.patagoniagold.com.

2018 Financial Highlights

- Revenues of $48.1 million (2017: $31.9 million) as a result of record production from Cap-Oeste and a higher gold price
- Operating cash costs reduced to $507/oz AuEq (2017: $1,500/oz AuEq) as a result of increased production and lower overall costs primarily due to the continued devaluation of the Argentine Peso
- Gross profit of $18.6 million (2017: $15.2 million)
- Foreign exchange loss for the year of $14.4 million
- Hyper-inflationary net monetary position: loss of $1.7 million
- Debt levels reduced by $3.6 million during the period

Operating Highlights

- Record production at Cap-Oeste amounting to 42,906 oz AuEq (5 per cent below the production guidance of 45,000 oz AuEq for 2018)
- Following the end of the reporting period, as announced on 19 February 2019, the decision was taken to close Lomada and put Cap-Oeste on care and maintenance as in 2019 neither operation had met its production targets and costs exceeded revenue
- Work continues to identify a viable option to mine the high-grade deposit that lies beneath the completed open pit at Cap-Oeste
- At Calcatreu, a 6,495m drill programme commenced in October 2018, with a view to converting a portion of the inferred resources into the indicated category
- Operations at Lomada were resumed at the end November 2018 and for the one month of operation in 2018, 486 oz Au were produced
- Exploration continued at the Company's newly named Dream Walker project in Uruguay and at La Manchuria and Sarita, where drill programmes are being prepared

Corporate Highlights

- In May 2018, the Company completed a Capital Reorganisation to reduce the number of Ordinary Shares in issue in order to improve its marketability
- In December 2018, the COSE-associated 1.5% net smelter returns royalty was sold to Metalla Royalty and Streaming Ltd for $1.5 million
- Also in December 2018, the Company announced the acquisition of four exploration blocks from Goldcorp Inc. in exchange for a 1% net smelter royalty on any future production
- In addition, in March 2019, the Company entered into a $15 million two-year loan facility with its largest shareholder, Cantomi Uruguay S.A., a company owned and controlled by Carlos Miguens, the Company's non-executive Chairman

Christopher van Tienhoven, CEO of Patagonia Gold, commented:

"While the closure of our two operating mines is disappointing, the financial arrangement with our major shareholder will ensure that we can progress the important drill programme and advance the Feasibility Study at Calcatreu. At the same time, we will carry on with our other exploration commitments in Santa Cruz. These opportunities, together with the high-grade underground potential at Cap-Oeste, provide us with reasons for optimism for the year ahead."

The Annual Report and Accounts for the year ended 31 December 2018 will be available on the Company's website and will be posted shortly to shareholders. The Annual General Meeting of the Company will be convened in due course.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

Qualified Person's Statement
The scientific and technical information herein was reviewed by Dr. Walter Soechting, PGeo. Dr. Soechting is a geologist with over twenty-five years of experience in exploration for precious metal mineral deposits. Dr Soechting has experience in the type of deposit under consideration and in the type of activity conducted, and is a 'Qualified Person' as defined by NI 43-101. Dr. Soechting consents to the inclusion in the announcement of the matters based on the information in the form and context in which it appears and confirms that this information is accurate and not false or misleading.

About Patagonia Gold

Patagonia Gold Plc is an AIM-listed mining company that seeks to grow shareholder value through exploration, development and production of gold and silver projects in the Patagonia region of Argentina. The Company is primarily focused on the Calcatreu project in Rio Negro. In addition, it is carrying out exploration in Manchuria and Sarita in Argentina and San Jose in Uruguay. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 250 properties in several provinces of Argentina, Chile and Uruguay and is one of the largest landholders in the province of Santa Cruz, Argentina.

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Chairman's Statement

I am pleased to present the 2018 Annual Report of Patagonia Gold Plc ("Patagonia Gold" or the "Company").

The 2018 financial year turned out to be a rather mixed year for the Company. Our efforts to operate and develop the business successfully have been carried out against the backdrop of a difficult economic environment in Argentina. Whilst the devaluation of the Peso has had a positive effect on the Company's cost base, inflation rates (which the government predicted would be 15% in 2018) actually rose to 48% by the end of the year, the highest for 27 years. In addition, in September 2018, the government re-introduced the export tax which, in our case, equates to 4 Pesos for every US dollar exported (around 10% at current exchange rates). The cost of this export tax to us during 2018 amounted to US$1.58 million.

Nevertheless, the Company's achievements during the year were not insignificant, notably recording our highest production level, delivering a record of approximately 42,900 oz AuEq at an average cost of US$507/oz.

In March 2018, we published an updated resources statement for Calcatreu showing current contained metal of 1.17 million oz AuEq. Following receipt of the necessary permits, a 7,000m drill programme commenced in October 2018.

In terms of disposals and acquisitions, in December 2018, we sold the COSE royalty for US$1.5 million and acquired four additional exploration properties in Santa Cruz from Goldcorp Inc. ("Goldcorp"), which the Company believes have exciting potential.

Earlier in the year we completed a capital reorganisation to reduce the number of Ordinary Shares in issue in order to improve the Company's marketability and, finally, we reduced our debt by, in aggregate, US$3.6 million during 2018.

Post year-end, in February 2019 we made the decision to close Lomada and put Cap-Oeste on care and maintenance as the expected revenue from production would not cover the operating costs. This was a difficult decision as the Company has lost its sole source of income. However, we remain optimistic about the opportunity to extract value from the Cap-Oeste underground resource by potentially mining the deposit and processing the ore at one of the nearby facilities.

Another area of focus in 2019 will be to advance Calcatreu towards a Feasibility Study with the aim of securing the necessary environmental and construction permits by the end of the year. This project is now the Company's flagship project and has the potential to deliver annual production of approximately 75,000 oz over a ten year life of mine.

Whilst high inflation in Argentina is expected to continue to be a challenge for 2019, the effect on costs will be somewhat mitigated if the local currency continues to devalue.

I should like to express my gratitude to the Board, management and staff for their ongoing and ceaseless efforts over the past year to ensure the Company is in the best position to achieve its goals. I would like to also thank our committed shareholders, whose patience and loyalty are sincerely appreciated. I look forward to updating you on our progress during the course of the year.

Carlos J. Miguens
Non-Executive Chairman
10 April 2019

Report from the Chief Executive Officer

Given the tough economic climate within which we have had to operate during 2018, the year as a whole has been a success with record production, lower costs, higher revenues and a slight reduction in our debt.

Revenue for the year totalled US$48.1 million (2017: US$31.9 million), with gross profit of US$18.6 million (2017: US$15.2 million). The excess cash generated during the period was utilised to fund capital expenditure, exploration activities and lower the Company's debt. The foreign exchange loss for the year was US$14.4 million and the hyperinflationary net monetary position was a loss of US$1.7 million.

As announced earlier in the year, mining operations at the Cap-Oeste open pit ceased in July 2018 and the mine was put on care and maintenance in February 2019. From the end of July 2018, production was derived exclusively from reprocessed material. This is the ore that was originally placed on the leach pad but was unable to be recovered owing to its high clay content. The installation of an agglomeration circuit successfully addressed this problem and production subsequently more than doubled from last year to 42,906 oz AuEq (2017: 20,088 oz AuEq) but just missed our guidance of 45,000 oz AuEq, due to the lower than anticipated grades in the retreated material, technical issues with the newly-installed crushing circuit and labour disruptions.

With regard to operating costs, the continued devaluation of the Argentine Peso had a positive impact which resulted in cash costs for the year of US$507/oz AuEq (2017: US$1,500/oz AuEq) and US$552/oz AuEq including depreciation and amortisation (2017: US$1,572/oz AuEq).

Re-handling and crushing of the stockpiled ore at Lomada resumed at the end of November 2018, producing 486 oz Au in its first month of operation.

Following the year end, the Company reviewed the production profile for 2019 for both Cap-Oeste and Lomada. Given the expected lower production volumes from Cap-Oeste and the lower than anticipated recoveries from Lomada, the Board took the decision to close Lomada and put Cap-Oeste on care and maintenance until a suitable solution to extract and process the high-grade underground resource from Cap-Oeste has been identified. In this regard, the Company is continuing to evaluate the options available to mine the high-grade COSE-style hypogene mineralisation which lies below the completed open pit and which is estimated to hold approximately 300,000 oz AuEq at 20g/t AuEq and treat it at a nearby facility.

Following our acquisition of Calcatreu, the Company has worked hard on a community relations programme to introduce Patagonia Gold to the community and surrounding areas. An updated resource estimate for Calcatreu was completed in March 2018, recording an increase in indicated and inferred resources to 16.4 million tonnes containing 1.17 million oz AuEq. The Company's focus is to convert a portion of the existing Inferred category resources into the Indicated category through additional drilling and studies, in order to increase the current level of confidence in the interpretation. The necessary permits to commence drilling were granted at the end of September 2018 and a 6,495m drilling programme commenced in early October 2018.

Calcatreu represents a significant asset for the Company; the Board believes that it has the potential to develop into a project with a ten year life and annual production of approximately 75,000 oz AuEq.

Following the disposal of the COSE project to Pan American Silver Corp. in 2017, in December 2018, the Company took the decision to sell its associated 1.5% net smelter returns royalty to Metalla Royalty and Streaming Ltd., for a total consideration of US$1.5 million.

Also in December 2018, the Company announced the acquisition of four exploration blocks from Goldcorp in exchange for a 1% net smelter royalty on any future production derived from the blocks if and when the properties are put into production, on this basis no asset or liability is currently recognised. The properties are located in Santa Cruz and are either adjacent to or near the Company's existing El Tranquilo block, thereby expanding the Company's potential mineral resources in the highly prospective El Deseado Massif region. Detailed exploration work will be carried out during 2019 in an effort to increase our inventory of resources in Santa Cruz.

In February 2019, the Company announced a loan arrangement with its major shareholder Cantomi Uruguay S.A. ("Cantomi"), a company owned and controlled by the Company's Non-Executive Chairman, Carlos Miguens, that will enable the Company to meet its ongoing commitments over at least the following 12 months. In the meantime, the Company is actively pursuing options to extract value from the Cap-Oeste underground resource and further its flagship project, Calcatreu.

I echo the Chairman's sentiments in terms of gratitude to our management, staff and shareholders and look forward to another busy and exciting year ahead.

Christopher van Tienhoven
Chief Executive Officer
10 April 2019

Operations Report

The following is a summary of the Company's operations, together with an update on exploration activities for the year to date.

Calcatreu Project

The Company acquired the Calcatreu project from Pan American Silver in January 2018 and it has now become the Company's flagship project. During the year, the Company worked on a comprehensive exploration programme including a 6,495m drilling programme. Details of the exploration programme and results of the drilling campaign are covered in the Exploration Update section of this report.

In parallel with the exploration programme, the Company has worked on a community relations programme, to introduce Patagonia Gold to the local community and surrounding areas, in order to establish a relationship with the various institutions and stakeholders of Ingeniero Jacobacci (the town closest to the project and where the Company's local office is located) ("Jacobacci"). The Company presented its plans for the Calcatreu project, detailing each step that will take place in the development of the project.

The Company holds periodic meetings with all stakeholders where the main objective is to keep them informed of the progress at Calcatreu. It is hoped this will establish a relationship that is based on trust and confidence and will lead to the sustainable and safe development of the project with respect to the environment and in faithful compliance with applicable regulations. In addition, one of the main initiatives is to work with the local stakeholders in promoting the socio-economic development of Jacobacci, for the benefit of all of its inhabitants.

The Company's relationship with the community is progressing positively and includes various stakeholders, such as the local and provincial authorities and the nearby indigenous communities that surround the Calcatreu Project.

Cap-Oeste Project

Production from Cap-Oeste during 2018 was approximately 42,900 oz AuEq, approximately 5% below the guidance for the year of 45,000 oz AuEq. Cash costs for the year were US$507/oz and US$552/oz including depreciation and amortisation.

In July 2018, mining ceased at the open pit and operations were limited to the rehandling of the ore previously stacked on the leach pad. Owing to its high moisture content and considerable clay content a specialised roll crusher circuit was commissioned in July 2018 to enable this wet material to be treated without blocking the crushing equipment. During 2018 a total of 158,000 tonnes was mined and processed through the agglomeration circuit. In addition, 274,000 tonnes were reprocessed from the material previously placed on the leach pad. The total material processed for the year was approximately 433,000 tonnes at an average grade of 5.43 g/t AuEq. The overall recovery of the material processed was approximately 56.8%.

As a result of the lower than anticipated production levels in December 2018 and January 2019, a review was undertaken of the production forecast for the following months and given that the expected revenue would not cover costs the Company took the decision in February 2019 to put Cap-Oeste on care and maintenance.

With regard to the high-grade underground resource estimated to contain 300,000 oz at 20g/t AuEq, the Company is currently evaluating the possibility of mining this resource and potentially transporting the ore to a nearby processing facility for treatment.

Lomada de Leiva Project

The Lomada mine was closed in May 2016 while production from the ongoing leaching continued until November 2017. Given that the ore from the Lomada mine was originally placed on the heap leach pad without crushing, the Company decided to return to Lomada to reprocess this ore. For this purpose the Kleeman impact crusher that was originally acquired for Cap-Oeste was mobilised to Lomada, with the intention of crushing the ore and placing it on an extension of the leach pad. The Company expected to recover approximately 10,000 to 12,000 oz Au over a 15 month period. However, following just over two months of operation, the expected levels of production ounces were not achieved and in mid-February 2019 the Company took the decision to cease operations and proceed with the closure of Lomada.

The Company is currently preparing an update to the closure plan presented and approved by the provincial authorities in 2017. Once the updated plan is approved, the Company will commence with the closure and remediation of the Lomada project.

Exploration Update

Exploration during 2018 consisted mainly of regional reconnaissance, geological mapping, sampling, geophysics and drilling carried out at Rio Negro, Santa Cruz and in Uruguay. The geophysical surveys were Ground Magnetics and Pole-Dipole Induced Polarisation. During 2018, exploration drilling in Argentina has been concentrated at Calcatreu, with 6,495m drilled, whereas in Uruguay the Carreta Quemada Project has been the main exploration focus, with 1,340m drilled (table 1).

Activity	Unit	Volume		
		Santa Cruz - Argentina	San Jose - Uruguay	Río Negro
Stream Sediment Geochemistry	Samples	-	45	-
Soil - Lag Geochemistry	Samples	21	14	-
Rock Chip - Float Sampling	Samples	146	14	32
Ground Magnetics	Line-km	200.3	131.3	18.9
Gradient Array IP	Line-km	-	8.73	-
Pole-Dipole IP	Line-km	-	30.8	46.5
RC Drilling	metres	-	613.5	-
	Samples	-	606	-
Diamond Drilling	metres	-	726.8	6,495
	Samples	-	643	2,167

Calcatreu Project

The Calcatreu project is located in south central Rio Negro province approximately 80km south west of the town of Jacobacci. It lies on the NW - SE-oriented, regional-scale Gastre Fault System, a highly prospective belt, known to host several epithermal Au-Ag deposits. Patagonia Gold has also recently acquired new concessions, totalling more than 100,000 hectares (ha) along this belt in Rio Negro.

The 2018 exploration work at Calcatreu mainly consisted of project-scale geological mapping along with detailed IP-PDP (Induced Polarisation - Pole Dipole) survey, followed by a diamond drill programme.

The geophysical survey, consisting of 20 lines totalling 46.5km, covered the area between Castro Sur (to the north) and Veta 49 (to the south). Its objective was to detect the presence of hidden NNE trending dilational gashes, similar to that of V49, or any other structure with exploration potential for the development of additional mineral resources in the immediate vicinity of the Vein 49 / Nelson deposits, hosting the current mineral resource at Calcatreu. The survey allowed a subsequent target definition and ranking.

Accordingly, a drill programme comprising several geophysical-based drill targets has been designed. The first and main part of the programme consisted of drilling for 'blind' conceptual geophysical targets, whereas the last few drill holes were focused on expanding the known resource from Vein 49, Belen and Castro Sur, following ore shoots that remain open in down plunge directions.

Results from the 2018 exploration drilling campaign at Calcatreu, confirmed the existence of blind/covered, mineralised structures suggested by the geophysics (being Castro Sur Splay and Eastern). The programme was successful in the discovery of encouraging, new Au and Ag mineralisation on the Castro Sur, Amistad, Eastern, Vein 49 and Belen W targets. Some of these mineralised structures are open for expansion along strike to the northeast (Amistad Vein) and at depth (Vein 49).

The 6,495m drill programme was completed by December 2018 and consisted of 30 diamond holes, 6 of which cut gold mineralisation with significant intercepts. Among them, the best intercept was 4.40m @ 11.86 g/t Au (including 1.40m @ 34.10 g/t Au) in hole CCT18-674 (Castro Sur).

As the last reported NI43-101 compliant resource model was reported by MICON International in February of 2008 with prevailing metal prices of US$650/oz Au and US$12.50/oz Ag, the Company commissioned CUBE Consulting from Perth in Australia to complete an updated independent NI43-101 compliant resource model, utilising current metal prices. As announced on 26 March 2018, the updated resource model is tabled below:

Zone	INDICATED RESOURCES						
	kTonnes	Grade (g/t)			Contained Metal (kOz)		
		Au	Ag	Au_equ	Au	Ag	Au_equ[1]
Vein 49	5,688	2.9	26.8	3.2	528	4,893	592
Nelson	1,400	1.6	18.6	1.9	74	839	85
Belen	-	-	-	-	-	-	-
Castro Sur	1,728	1.6	18.1	1.8	88	1,008	101
TOTAL-Indicated	8,816	2.4	23.8	2.8	690	6,740	778
Zone	**INFERRED RESOURCES**						
	kTonnes	**Grade (g/t)**			**Contained Metal (kOz)**		
		Au	**Ag**	**Au_equ**	**Au**	**Ag**	**Au_equ[1]**
Vein 49	2,198	1.8	17	2	128	1,201	144

Nelson	1,477	1.5	15.5	1.7	70	736	80
Belen	681	1.6	22.1	1.9	35	483	41
Castro Sur	3,215	1.1	9.8	1.2	110	1,018	123
TOTAL-Inferred	7,571	1.4	14.1	1.6	343	3,438	388

[1] AuEq calculations were carried out using a 76.5:1 Ag:Au ratio

An updated NI 43-101 report is being prepared which will also include the latest drilling results.

La Manchuria Project

The La Manchuria Project is highly prospective with over 145,000 oz AuEq of JORC Code compliant Indicated and Inferred resources already delineated. Brownfield exploration continued through mapping and rock chip sampling of a surface of ca. 2,000ha. Veinlets and narrow breccia zones indicative of hydrothermal activity were found at the Magali zone. Anomalous gold values were reported from Cecilia zone. A new drill programme for La Manchuria contemplates 2,000m in 14 holes. They are designed to test geophysical anomalies (Induced Polarisation/Resistivity/Chargeability and Magnetic Low Anomalies), as well as to test underneath gold anomalies from rock chip sampling at surface. An updated NI 43-101 report for this project is currently under way, and will include further exploration works.

Sarita Project

The Sarita Project, located in the SW of the Deseado Massif approximately 10km NW of Hunt Mining's Mina Martha Ag-Au mine, hosts a widespread system of banded low sulphidation Au-Ag veins, encompassing a small rhyolitic dome complex. Geologically, the area displays very similar structural and stratigraphic characteristics to Mina Martha, with Ag rich, polymetallic, veins hosted intermediate sulphidation style mineralisation, although the vein system remains largely untested.

The banded Ag-Au bearing quartz veins have developed within a set of NNW-SSE striking normal faults and constitute an extensive mineralised vein system, with more than 12km in total outcropping length.

Precious and base metal mineralisation has been recognised in quartz vein-breccias up to 3m wide at surface, composed of quartz and sulphides. Rock chips from discrete vein structures or aligned float have returned anomalous gold samples with up to 83.40 g/t Au and up to 15,444 g/t Ag, in separate samples. To date 16 diamond drill holes have been drilled for 1,754 m targeting the vein mineralisation. Geochemical results from drilling show gold and silver anomalies. Core recovery in some of the veins was poor and there are concerns that Au-Ag may have been lost. A new drilling proposal consisting of 2,000m in shallow exploration holes, has been prepared and it is intended that it will be carried out during the second quarter of 2019, using the Company's own drilling equipment.

San José Project (Uruguay)

Carreta Quemada

The Carreta Quemada (now Dream Walker) project is located within the east-west trending San Jose Greenstone Belt of early Proterozoic-age (+/- 2.1 billion years) in Uruguay, comprising greenschist to lower amphibolite facies metasediments and metavolcanics, with frequent, large granitic-granodioritic intrusives. The geological setting appears typical of the terranes that host some of the world's most prolific Orogenic Gold Belts, such as those of the same age in the West Africa Craton, which host many multi-million ounce deposits. It is located on a strong NW-striking regional-scale shear zone (the "Carreta Quemada Shear Zone"). Field observations and aeromagnetic data indicate a several kilometre wide, diffuse zone of NW-SE oriented lineaments and structures.

In the Carreta Quemada zone, the interception of NW and N trending structures seem to be areas favourable to mineralisation and are the focus of the current exploration efforts. The 2018 drill programme at Carreta Quemada was carried out along a 1km long, NNE-SSW trending, structural corridor, where the more brittle felsic units, especially where they are folded or faulted, and/or adjacent to the graphitic schists, are prone to carry gold mineralisation.

First pass drilling results from the 2018 exploration campaign confirmed the existence of a north-south trending, mineralised structure which can be traced for over at least 300m and remains open for expansion on strike and at depth. This initial drill programme was based upon anomalous geochemical rock chip sampling from an earlier trenching sampling programme, which resulted in 2m @ 16.2 g/t Au (sample 200282, DWTR-002) and 1m @ 1.25 g/t Au (sample 1960, DWTR-001), as announced in 2016.

The significant intercepts from the present drilling results are: 4.55m @ 4.7 g/t Au (including 0.7m @ 27.6 g/t Au) and 7.1m @ 1 g/t Au (incl. 1.55m @ 3.73 g/t Au) from drill hole DWDD-010; 3.9m @ 1.63 g/t Au, and 1.4m @ 1.67 g/t Au, from drill hole DWDD-009; and 1m @ 3.9 g/t Au and 1.3m @1.62 g/t Au, from drill hole DWDD-001. These intercepts are at an average depth of near 40m below surface and correspond to structures that are open both along strike and at depth. To the south, the results of a RC fence drilling demonstrated the possible continuation of this mineralised trend, and which resulted in 2m @ 1.87 g/t Au, from drill hole DWRC-008; and 3m @ 2.49 g/t Au, from drill hole DWRC-005. These RC holes are located near 1km to the south of the DD holes. The area between these two drill zones is still untested and represents a significant exploration potential.

Zona 13

Mineralisation is hosted within a sub-vertical 40m wide shear zone at the contact between a granodiorite body and Paleoproterozoic metandesites schist and intercalated metasediments. Mineralisation manifests as quartz-chlorite-sericite-carbonate-pyrite-arsenopyrite altered graphitic schist, with mylonites, cataclasites and breccias. Quartz occurs as stringers, porphyroblasts and breccia clasts.

RC drilling during mid-2018 confirmed the location of a regional auriferous shear zone at the Zona 13. This drill programme consisted of two RC holes, for a total of 122.5m. These holes are located at the eastern part of the area where the E-W to ENE trending Tambo Viejo shear zone intercepts NW striking faults. Significant intercepts from this programme resulted in 8m @1.19 g/t Au (incl. 2m @ 4 g/t Au), and 13m @ 2.07 g/t Au (incl. 2m @ 4.3 g/t /au and 2m @ 4.8 g/t Au) from hole Z13RC-001. Further exploration in this area will consist of three trenches followed by two drill holes to be located approximately 400m to the east of hole Z13RC-001.

The Zona 13 area remains open both to the East and to the West. Further exploration will consist of trenching and follow-up RC drilling designed to test the strike continuation of the mineralisation discovered.

Colla and Zona 10

Ground magnetic and IP surveys at Colla prospect confirmed a 2.2km long anomalous corridor coincident with known mineralisation. Geochemical results from regional pan concentrate sampling show anomalous samples from Colla (15.48 g/t Au) and Zona 10 (9.3 g/t Au). Further sampling will focus on better delineation of source areas.

Christopher van Tienhoven

Chief Executive Officer
10 April 2019

Strategic Report

Business review and future developments

The purpose of the review is to show how the Company assesses and manages risk and uncertainty and adopts appropriate policies and targets. Further details of the Group's business are also set out in the Chairman's Statement the Report from the Chief Executive Officer, and the Operations Report, which are incorporated in this report by reference.

Review of the year

Revenue for the year totalled US$48.1 million up from US$31.9 million in 2017 as a result of record production at Cap-Oeste and an improved gold price.

The increase in Cost of Sales to US$29.5 million from US$16.7 million in 2017 was largely to the result of higher costs owing to increased production and local inflation partially offset by the devaluation of the Argentine Peso in relation to the US dollar.

Administrative costs decreased to US$9.7 million from US$14.0 million as detailed in Note 8.

Exploration costs for the year totalled US$2.7 million, up from US$2.6 million in 2017, owing to the drilling programme undertaken at Calcatreu and the Dream Walker project in Uruguay.

The purchase of the Calcatreu project was completed in January 2018 and has become the Company's flagship project. During the year the Company focussed on a comprehensive exploration programme aimed at increasing the resource base. An extensive geophysics programme was undertaken to identify undercover mineralisation. In addition, the Company started a community relations programme to introduce Patagonia Gold into the community.

Operations at Cap-Oeste improved significantly during 2018, with production reaching a record 42,906 oz AuEq. Although the mine was closed in July 2018, the operation primarily consisted of reprocessing material previously placed on the leach pad that did not recover well due owing to a high clay content. In July 2018, a new crushing circuit was commissioned to treat the wet material from the heap leach pad. The mobile Kleeman impact crusher that was being used at Cap-Oeste was transferred to Lomada to reprocess the ore at that operation. Cap-Oeste was put on care and maintenance in February 2019, owing to forecast revenue being below production costs.

Lomada was closed in November 2017 and reopened in November 2018. The objective of returning to Lomada was to reprocess the ore that had originally been put on the heap leach pad but was not crushed. The Company was expecting to recover between 10,000 and 12,000 oz Au over a period of 15 months. After two months of operations, the targeted production levels were not being achieved and, in February 2019, the operation was closed.

Principal activities

The Company continues to hold investments in mineral exploration companies involved in the identification, acquisition, development and exploitation of technically and economically sound mineral projects, either alone or with joint-venture partners.

Patagonia Gold's growth strategy includes the following:

- The main focus for the Company going forward will be the Calcatreu project, where the Company plans to start work on a Feasibility Study.
- Pursuing the potential development of the high-grade Cap-Oeste underground resource and the option to potentially truck the ore to a nearby processing facility.
- The Company continues to monitor the situation in the Province of Chubut in the event there is a change in current legislation that would allow it to return to the Province and resume exploration activities that were paralysed when the mining ban was introduced with Law 5001 of 8 May 2003.

Principal risks and uncertainties

The Group operates in an uncertain environment that may result in increased risk. In February 2019, the Company announced the closure of both its operating units, Lomada and Cap-Oeste and currently relies on external financing, loans or equity raises to finance its activities going forward.

Financing

Despite a small repayment of debt during 2018, as at 31 December 2018, the debt level of the Company remained high at $23.2 million (2017: $27.6 million). In February 2019, the Company announced the closure of both of its operating units and thus lost its main source of revenue. Subsequently a loan facility was entered into with its major shareholder, Cantomi, a company owned and controlled by the Company's Non-Executive Chairman, Carlos Miguens.

Gold price

The gold price is a key element of the Company's performance. The price is determined by external factors which are beyond the Company's control. The movement in the price not only has an effect on the profitability of the business but also a direct impact on the Company's share price which ultimately impacts the Company's ability to raise finance.

Exploration and development risk

The Company had transformed itself from a pure exploration company to an operating company however, following the closure of Lomada and Cap-Oeste in February 2019, currently has no operating mines. The development of Calcatreu has become a key priority for the Company as well as pursuing the possibility of mining the high-grade resource at Cap-Oeste and extracting value from this deposit.

Competition

The competition for mining assets in Argentina has increased over the years but Patagonia Gold is in a strong position with a significant portfolio of mining properties in the Santa Cruz, Rio Negro and Chubut Provinces, as well as its project in Uruguay. In addition, the Company has many years of experience in the region, which gives it a competitive advantage vis-à-vis other players that are arriving or do not have the same level of experience and/or knowledge of the region.

Fiscal regimes

Argentinean fiscal policies are complex, and it is difficult to distinguish whether a future tax payment is possible or probable. Where a future tax payment is considered to be possible but not probable, no provision has been made in the accounts. Our in-country management team constantly monitors banking, customs and taxation developments and advises the Group on the handling of various issues including foreign exchange controls and cash transfers in and out of Argentina.

Currency

During 2018 the Argentine Peso devalued significantly which had a positive impact on locally denominated costs. However, inflation has not ceded and most of the benefits resulting from devaluation have diminished.

Environmental and other regulatory requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to the activities of the Group, the extent of which cannot be predicted. For exploration and production to continue on any properties, the Group must obtain and retain regulatory approval and there is no assurance that such approvals will continue. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner that could limit or curtail the Group's operations. The Group invites Mine Secretariat Officials to inspect and comment on projects as they progress.

The necessary permits for the drilling campaign at Calcatreu completed at the end of 2018, were obtained in a timely manner, which allowed drilling to be completed on schedule.

The closure plan for Lomada is being prepared and will be presented to the corresponding authorities in Santa Cruz in due course.

Key Performance Indicators

The Board sets relevant Key Performance Indicators (KPIs), which for a company at Patagonia Gold's stage of development, are focused on managing the activities inherent in exploration and operational development. The KPIs for the Group are as follows:

Non-financial KPIs		*Financial KPIs*	
Health and safety management	Lost time injury frequency rate. Medical treatment injury frequency rate.	Shareholder return	Share price performance.
Environment management	Compliance with strict jurisdictional environmental policies.	Production cash costs	Monitoring of costs as a measure of operational efficiency
Operational success	The number of successful exploration drilling ventures and growth of resources.	Gold Production	Monitoring actual production against forecasts
Human resource management	Employee retention rate. Attracting qualified employees for key positions.	Exploration expenditure	Exploration cost per metre drilled.
		Working capital	Monitoring working capital. Ensuring adequate liquidity.

Non-Financial KPIs

- Health and Safety Management: The Company's Health and Safety Department is staffed by five qualified and experienced personnel. During the year 2018, the Lost Time Injury Frequency Rate for the Company was 18 (2017: 37.09), the Lost Time Injury Incidence Rate was 30.72 (2017: 52.5) and the Medical Treatment Injury Frequency Rate was 0.012% per man/worked day (2017: 0.371%). The Company is committed to improving its safety record year on year.
- Environment Management: The Company's Environmental Department is staffed by two qualified and experienced personnel. Patagonia Gold is compliant with all the environmental standards in each of the jurisdictions in which it holds mining titles.
- Operations: In 2018, Lomada produced 486 oz Au which was 63% under budget. Production at Cap-Oeste of 42,906 oz AuEq missed our guidance of 45,000 oz AuEq by approximately 5%, for the following reasons: lower than anticipated grades in the retreated material, technical issues with the newly-installed crushing circuit and labour disruptions.
- Human Resource Management: the headcount at the end of 2018 was 202 employees 4.7% lower than 2017. The majority of the Company's employees live in the Province of Santa Cruz and in the nearest community to its operations, Perito Moreno. Despite being a relatively small player in the mining industry, the Company has managed to retain its staff in a competitive environment where the larger producers are able to offer higher salaries and higher annual increases in an inflationary environment. 110 employees were made redundant following the closure of Lomada and Cap-Oeste in February 2019.

Financial KPIs

- Shareholder Return: The Company's share price continues to be impacted by the downturn in the capital markets most notably in the precious metals sector. Patagonia Gold's share price varied between a minimum of 52.5 pence and a maximum of 170 pence during the year. The closing mid-market price of the Company's ordinary shares on 31 December 2018 was 56 pence (31 December 2017: 118 pence). All prices have been adjusted for the share consolidation completed in May 2018 (see note 22).
- Production Cash Costs: During 2018, the continual devaluation of the Argentine Peso had a positive impact which resulted in cash costs for the year of US$507/oz AuEq (2017: US$1,500/oz AuEq) and US$552/oz AuEq including depreciation and amortisation (2017: US$1,572/oz AuEq).
- Gold Production: Gold production for 2018 from Cap-Oeste more than doubled from last year at 42,906 oz AuEq (2017: 20,088 oz

AuEq) but missed our guidance of 45,000 oz AuEq by 5%, for the following reasons: lower than anticipated grades in the retreated material, technical issues with the newly-installed crushing circuit and labour disruptions. Re-handling and crushing of the stockpiled ore at Lomada resumed at the end of November 2018 and production for 2018 was 486 oz Au. Following the year end, the Company reviewed the production profile for 2019, for both Cap-Oeste and Lomada. Given the expected lower production from Cap-Oeste and the lower than anticipated recoveries from Lomada, the Board took the decision to close Lomada and put Cap-Oeste on care and maintenance, until a solution to extract and process the high-grade underground resource from Cap--Oeste has been identified. In this regard, the Company continuing to evaluate the options available to mine the high-grade COSE-style hypogene mineralisation which lies below the completed open pit and which holds approximately 300,000 oz AuEq at 20g/t AuEq and potentially treat it at a nearby facility.

- Exploration Expenditure: Exploration during 2018 consisted mainly of regional reconnaissance, geological mapping, sampling, geophysics and drilling carried out at Rio Negro, Santa Cruz and in Uruguay. Exploration drilling in Argentina was concentrated at Calcatreu, with 6,495m, whereas in Uruguay the Carreta Quemada Project was the main exploration focus, with 1,340m being drilled. Also in December 2018, the Company announced the acquisition of four exploration blocks from Goldcorp, in exchange for a 1% net smelter royalty on any future production. The properties are located in Santa Cruz and are either adjacent to or near our existing El Tranquilo block, thereby expanding the Company's potential mineral resources in the highly prospective El Deseado Massif region. Detailed exploration work will be carried out during 2019 in an effort to increase our inventory of resources.
- Working Capital: At 31 December 2018, working capital netted to US$(17.9) million, a decline of US$20.1 million from the 31 December 2017 working capital of US$2.2 million. This was due to there being US$0.6 million less cash on hand, a US$16.2 million decrease in inventory, a US$2.8 million decrease in short-term loans plus a US$9.7 million decrease in trade and other receivables, offset by a US$3.6 million increase in trade and other payables.

All significant information is detailed in the Operations Report and is published on our website at www.patagoniagold.com.

Risk factors

Details of the principal financial risk factors affecting the Company can be found in Note 24 to the financial statements.

Subsidiary companies

Details of the Company's subsidiaries can be found in Note 15 to the financial statements.

Further information

Further information can be found in the Report of the Directors.

On behalf of the Board of Directors

Christopher van Tienhoven
Executive Director
10 April 2019

Report of the Directors

The Directors present their report and the audited financial statements for Patagonia Gold and its subsidiaries, collectively known as the "Group", for the year ended 31 December 2018. All amounts are expressed in US dollars, except where indicated.

Financial instruments

The Company's treasury objective is to provide sufficient liquidity to meet operational cash flow requirements to allow the Group to take advantage of exploration opportunities while maximising shareholder value. The Company operates controlled treasury policies that are monitored by the Board to ensure that the needs of the Company are met as they evolve. The impact of the risks required to be discussed in accordance with IFRS 7 are summarised in Note 24 to the financial statements together with detailed discussion and sensitivity analysis relating to these risks.

Going concern

The attached financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

Until February 2019 Patagonia Gold operated the Cap-Oeste and Lomada mines. During 2018 Patagonia Gold produced 43,096 oz AuEq. In February 2019, the Company took the decision to close Lomada and put Cap-Oeste on care and maintenance. The Company is pursuing the viability of mining the high-grade underground resource at Cap-Oeste and potentially transporting the ore to a nearby processing facility. Patagonia Gold continues to evaluate this alternative and it is expected that a decision will be made during 2019.

In the meantime, Patagonia Gold has reverted to being a company that funds its activities from external sources such as debt or equity raises. In February 2019, the Company announced that its largest shareholder, Cantomi, a company owned and controlled by the Company's Non-Executive Chairman, Carlos Miguens, had provided a two year US$15 million loan facility that will be utilised to fund the Company's activities going forward, while the review of the Cap-Oeste underground option is ongoing together with the Feasibility Study of its flagship Calcatreu project.

The Directors are confident that the Group has sufficient available funding and options available to enable it to continue to meet its commitments as they fall due and to undertake the current planned programme of activity over the 12 months from the date of this Annual Report.

Accordingly, the financial statements do not include any adjustments which would be necessary if the Company and Group ceased to be a going concern.

Share capital

On 9 May 2018, Patagonia Gold undertook a capital reorganisation of the Company's existing ordinary share capital, reducing the number of existing ordinary shares in issue (the "Existing Ordinary Shares") by a factor of 100. Prior to the consolidation of the Company's share capital, 16 new ordinary shares were issued, so that the total number of ordinary shares were exactly divisible by the consolidation factor of 100.

The capital reorganisation consisted of: the sub-division of each Existing Ordinary Share of 1 pence each into one Interim Ordinary Share of 0.01 pence and one Deferred Share of 0.99 pence; followed by the consolidation of every 100 Interim Ordinary Shares into one new ordinary share of 1 pence (the "New Ordinary Shares"); the sale of all fractional entitlements arising on consolidation; and the buy-back of all of the Company's Deferred Shares of 0.99 pence each and subsequent cancellation of these shares.

As result of the capital reorganisation Patagonia Gold has in issue 23,634,749 New Ordinary Shares of 1 pence each in nominal value. The difference between the nominal value of the share capital prior to the capital reorganisation, of £23,634,749, and the nominal value of share capital after it, of £236,347, was recognised within a capital redemption reserve, being £23,398,402. The New Ordinary Shares have the same rights and benefits as the previous Existing Ordinary Shares.

Financial results

The financial results are as anticipated and reflect the costs of managing and funding the Group's exploration activities and head office costs.

Financial Reporting in Hyperinflationary Economies

The group's subsidiary financial statements that are in hyperinflationary economies are prepared using the historical cost approach and have therefore had their current year and corresponding figures for their financial statements restated for the changes in general purchasing power of that subsidiary's functional currency (Argentine Peso). As a result, these subsidiaries' financial statements are stated in terms of the measuring unit current at the end of the reporting period. IAS 29 does not apply to the consolidated accounts, as the parent's functional currency and group's presentational currency are not in hyperinflationary economies. The subsidiary financial statements in hyperinflationary economies have used the Consumer Price Index (IPC) published by the National Institute of Statistics and Census (INDEC) as from January 2017 (base month: December 2016) and the Wholesale Price Index (IPIM) published by the INDEC to date, by computing for the months of November and December 2015, on which no INDEC information is available on changes in the IPIM, the IPC variation in the City of Buenos Aires. Considering such index, inflation amounted to 47.64% and 24.79% in the fiscal years ended December 31, 2018 and 2017, respectively. Following the adjustments made in complying with IAS 29, management have considered the recoverability of the impacted assets.

Subsequent events

Significant events since the year end are detailed in the Report of the Chief Executive Officer, and in the Operations Report, also see note 31 to the financial statements.

Future developments

Planned future developments are outlined in the Report of the Chief Executive Officer and in the Operations Report.

Dividends

The Directors do not recommend the payment of a dividend (2017: US$ nil).

Substantial shareholdings

As at 10 April 2019, the Company was notified of, or was aware of, the following interests of 3% or more in its issued share capital:

Ordinary Shares of 1 pence:	*Number*	*Percentage*
Carlos J. Miguens	12,741,212	53.91
Arconas International Limited	1,625,133	6.88

Directors and Directors' interests

The Directors who held office during the year and their beneficial interests, including family interests, at the beginning and end of the year and at the date of this report, were as follows:

Ordinary Shares of 1p:	*10 April 2019*	*31 December 2018*	*31 December 2017*(1)
Carlos J. Miguens	12,741,212	12,741,212	1,274,121,151
Gonzalo Tanoira	174,027	174,027	17,402,733
Christopher van Tienhoven	23,291	23,291	2,329,075
Manuel de Prado	40,357	40,357	4,035,660

(1) See Note 22

Directors' interests include shareholdings in their names and/or under controlled subsidiaries.

During the year the following payments were due by the Company to the Directors:

- to Carlos J. Miguens US$16,018 (2017: US$15,462) for his services as Director and Chairman;
- to Gonzalo Tanoira US$16,018 (2017: US$15,462) for his services as Director;
- to Christopher van Tienhoven US$245,000 (2017: US$240,139) for his services as Director and CEO; and
- to Manuel de Prado US$16,018 (2017: US$15,462) for his services as Director.

Of the above, US$96,106 remained unpaid at the year-end.

Christopher van Tienhoven received a bonus of US$125,000 during 2018.

During 2018, no options were awarded to Directors as per the schedule below as an incentive.

Directors hold options in their names and/or under controlled subsidiaries and no Director exercised any options during the year.

At 31 December 2018, the Directors were interested in unissued ordinary shares granted to them by the Company under share options in their names and/or under controlled subsidiaries:

Name	*Date of grant*	*Exercise price*	*Ordinary Shares*	*Due from which exercisable*	*Expiry date*
C J Miguens	23 June 2009	1,225p	45,000	23 June 2009	22 June 2019
C J Miguens	17 June 2010	1,500p	11,000	17 June 2010	16 June 2020
C J Miguens	10 February 2011	1,100p	20,000	10 February 2011	9 February 2021
C J Miguens	13 May 2011	1,100p	9,000	13 May 2011	12 May 2021
C J Miguens	31 January 2012	1,100p	20,000	31 January 2012	30 January 2022
C J Miguens	9 January 2013	2,275p	90,000	9 January 2013	8 January 2023
C J Miguens	19 September 2013	1,175p	50,000	19 September 2013	18 September 2023
C J Miguens	18 December 2017	100p	50,000	17 December 2018	17 December 2027
G Tanoira	23 June 2009	1,225p	17,190	23 June 2009	22 June 2019
G Tanoira	17 June 2010	1,500p	5,000	17 June 2010	16 June 2020
G Tanoira	13 May 2011	1,100p	5,000	13 May 2011	12 May 2021
G Tanoira	9 January 2013	2,275p	10,000	9 January 2013	8 January 2023
G Tanoira	18 December 2017	100p	50,000	17 December 2018	17 December 2027
C van Tienhoven	31 March 2015	250p	100,000	31 March 2015	30 March 2025
C van Tienhoven	18 December 2017	100p	150,000	17 December 2018	17 December 2027
M de Prado	12 September 2013	1,100p	7,500	12 September 2013	11 September 2023
M de Prado	18 December 2017	100p	50,000	17 December 2018	17 December 2027

The Company's ordinary shares are traded on AIM and the GBP market price of those shares ranged between 52.5 pence and 170 pence during the year. The closing mid-market price of the Company's ordinary shares on 31 December 2018 was 56 pence (31 December 2017: 118 pence). All prices have been adjusted for the share consolidation completed in May 2018 (see note 22).

Internal control

The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement.

There is an appropriate level of involvement by the Directors in the Group's activities. This includes the comprehensive review of both management and technical reports, the monitoring of foreign exchange and interest rate fluctuations, environmental considerations, government and fiscal policy issues, employment and information technology requirements and cash control procedures. Site visits are made as required both by certain Directors and senior management. In this way the key risk areas can be monitored effectively and specialist expertise applied in a timely and productive manner.

Directors' service agreements

Carlos J. Miguens, Christopher van Tienhoven and Manuel de Prado have service arrangements that provide for three months' notice of termination and that of Gonzalo Tanoira provides for six months' notice of termination.

Relations with shareholders

The Company maintains effective contact with principal shareholders and welcomes communications from private investors. Shareholders are encouraged to attend the Annual General Meeting, which is to be convened in due course, at which time there is an opportunity for discussion with members of the Board. Press releases together with other information about the Company are available on the Company's website at www.patagoniagold.com.

Directors' indemnification provisions

Under Article 230 of the Company's Articles of Association, subject to the provisions of the Companies Act 2006 (the "Act"), but without prejudice to any indemnity to which he may be otherwise entitled, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution and/or discharge of his duties or exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office, provided that Article 230 shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause Article 230 or any element of it, to be treated as void under the Act.

Auditors

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with Section 489(4) of the Act, a resolution to re-appoint Grant Thornton UK LLP as auditor of the Company will be proposed at the Annual General Meeting to be convened in due course.

By Order of the Board

Christopher van Tienhoven
Executive Director
10 April 2019

Directors' Responsibility Statement

In respect of the Directors' report and the financial statements.

The Directors are responsible for preparing the Strategic report, Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- In so far as each of the Directors is aware there is no relevant audit information of which the Company's auditor are unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Statement

Introduction from the Chairman

The Board of the Company fully recognises the value and importance of good corporate governance particularly in the mitigation of risks and delivering long-term growth to its shareholders. On 8 March 2018, the London Stock Exchange issued revised rules for AIM-quoted companies, within which was a requirement (Rule 26) for AIM companies to apply a recognised corporate governance code from 28 September 2018.

Accordingly, in September 2018, the Company decided to apply the 2018 QCA Corporate Governance Code (the "Code") and this Corporate Governance Report for the year ended 31 December 2018 is based upon the Code. The principal means of communicating our application of the Code are this Annual Report and our website (www.patagoniagold.com).

The Board

The Board is comprised of the Non-executive Chairman, Carlos J Miguens, the Chief Executive Officer, Christopher van Tienhoven, and two Non-executive Directors, Gonzalo Tanoira and Manuel de Prado. There is a clear division of responsibilities between the Chairman, who is responsible for the operation of the Board, and the Chief Executive Officer, who is responsible for the management and strategy of the Company.

On appointment to the Board, all Directors receive an induction to familiarise themselves with the Company. The Directors have unrestricted access to management and receive briefings from them, which enable the Directors to keep abreast of the latest developments. Furthermore, the Company has implemented the appropriate procedures to support Directors in obtaining independent professional advice at the expense of the Company as and when required.

Role of the Board

The Board is responsible for the long-term success and ongoing management of the Company. In order to support this the Board maintains responsibility for a number of key matters, which include; a comprehensive review of both management and technical reports, the monitoring of foreign exchange and interest rate fluctuations, all environmental considerations, government and fiscal policy matters, employment and information technology requirements, cash control procedures, and communication with its shareholders and stakeholders.

Independent Directors

The Board acknowledges the length of service of the two appointed Non-executive Directors as being longer than the recommended guidelines; however, the Board values having this level of continuity. The Board also recognises the approval of share options issued to the Non-executive Directors as being a valuable remuneration incentive.

Throughout the year, the Board regularly monitors the independence of the Non-executive Directors, which includes an assessment of their character, judgement and other business issues which could materially interfere with the exercise of their judgement. After thorough consideration, the Board continues to deem both Gonzalo Tanoira and Manuel de Prado to be fully independent.

Time Commitments

The Directors devote a sufficient amount of time in order to discharge their duties to the Company both at and outside of Board Meetings. In order to ensure continuity of this commitment the Board meets at least six times a year. In addition to the formal Board Meetings, the Board will meet throughout the year as and when required for specific matters.

The time commitments of the Non-executive Directors are carefully reviewed by the Board and it is noted that Gonzalo Tanoira and Manuel de Prado devote three days a month to the Company. Details of the Directors' attendance at each of the scheduled Board and Committee Meetings for the 2018 financial year are listed below:

Board Meetings 2018:	Directors' attendance			
	C. Miguens	C. van Tienhoven	G. Tanoira	M. de Prado
January 29	x	x		
April 10	x	x	x	x
May 9	x	x	x	x
July 3	x	x		
September 10	x	x	x	x
September 24	x	x	x	x
October 11	x	x	x	x
November 5	x	x	x	x
November 27	x	x		
December 28	x	x	x	

	Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended
C. Miguens	April 9		May 4	x	May 4	x
G. Tanoira	April 9	x	May 4	x	May 4	x
M. de Prado	April 9	x	May 4	x	May 4	x

Board Composition

The Directors continue to remain satisfied that the Board is well balanced and that the Directors possess the sufficient breadth of skills, relevant experience, variety of backgrounds and knowledge to ensure the Board functions appropriately, without being dominated by any one Director. The Board acknowledges that there are currently no appointed female Directors, however, it will continue to review this moving forward to ensure the appropriate balance and diversity of the Board is maintained.

Board Evaluation

The Board reflects upon its performance through the year by reviewing the strategy and operations of the Company, to ensure they align with promoting its long-term success. To date, the Board has not undertaken a formal review of its effectiveness, but as part of its continued commitment to the corporate governance of the Company, it has been decided that an informal review will be undertaken during the 2019 financial year. Details, findings and resulting actions will be published in the 2019 Annual Report of the Company. Moving beyond this, the Board will carefully consider the requirement for an external board evaluation, in line with the growth of the Company.

Board Committees

In order to support the growth of the Company, the Board has delegated a number of responsibilities to its established Audit, Nomination and Remuneration Committees. Each Committee has approved Terms of Reference which have been reviewed and approved by the Board.

Audit Committee

The Audit Committee is chaired by Gonzalo Tanoira and is comprised of himself, Carlos J. Miguens and Manuel de Prado. The Committee has ultimate responsibility for the financial reporting and internal control procedures of the Company. The Board has taken the decision that a separate internal audit function is not appropriate at this time. However, this will continue to be reviewed in line with the growth of the Company.

Remuneration Committee

The Remuneration Committee is chaired by Carlos J. Miguens and is comprised of himself, Gonzalo Tanoira and Manuel de Prado. The Committee is responsible for making recommendations to the Board covering all aspects of remuneration for Executive Directors and Senior Management of the Company. In the implementation of its remuneration policies the Committee takes into account all appropriate factors, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. The remuneration of the Non-executive Directors is determined by the Executive Directors

Nomination Committee

The Nomination Committee is chaired by Manuel de Prado, and is comprised of himself, Carlos Miguens and Gonzalo Tanoira. The Committee is responsible for making recommendations to the Board in respect of all new appointments. It also has responsibility for ensuring that the appropriate balance and skills of the Board are maintained to ensure it carries out its functions correctly, in addition to a suitable level of diversity to ensure the right culture and integrity of the Board is maintained. The Company's Articles of Association stipulate that one-third of the Directors (or if their number is not a multiple of three, the number nearest to but not greater than one-third), shall retire by rotation each year.

Shareholder and Stakeholder relationships

The Board fully understands its ultimate responsibility to shareholders and ensuring the long-term success of the Company. In alignment with this, the Board has responsibility for the ongoing governance, controls, risk management, direction and performance of the Company. The Board ensures that it regularly monitors the Company's exposure to key business risks in conjunction with the strategic direction of the Company.

The Board remains fully committed to ensuring regular communication is maintained with both its shareholders and stakeholders, and has identified its key stakeholders for engagement. The Chief Executive Officer has primary responsibility for maintaining this dialogue and developing an understanding of their views.

In order to support this engagement the Company website (www.patagoniagold.com) has a dedicated "Investors" section giving investors direct access to Company reports and press releases. There is also an enquiries mailbox facility (info@patagoniagold.com). All shareholders receive notice of the AGM, and the Board welcomes the attendance of all shareholders to encourage healthy two-way discussions.

Carlos J. Miguens
Non-Executive Chairman
10 April 2019

Audit Committee Report

Membership

The Board has established an Audit Committee with the appropriate Terms of Reference, which is comprised of Gonzalo Tanoira, Carlos Miguens and Manuel de Prado. The Committee reports to the Board in respect of its responsibilities.

Responsibilities

The Committee meets at least once a year to discuss its ongoing responsibilities to include such matters as the existing risk management and internal control systems in place, its financial reporting obligations and external audit findings.

An outline of the key responsibilities undertaken by the Committee in the year are set out below:

- Review of the Annual and Interim Accounts.
- Review of the Auditor's Report.
- Confirmation on the life of mine plans and associated documentation relevant to the going concern assumption in line with management's cash flow forecasts.
- Performance of sensitivity analysis on the assumptions included within the forecast.
- Matching results against management forecasts for the year ended 31 December 2018.
- Meeting with management to discuss the Directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the balance sheet date.

Internal Controls

The Committee continues to monitor and review the Company's financial reporting and internal control procedures. It has been concluded that a separate internal audit function is not justified at this time because of the size and scope of the Company's business activities. However, as the company continues to grow the need for this function will be regularly assessed.

External Audit

The Board understands the importance of maintaining a relationship with the external auditors and in order to support this relationship the external auditor is invited to attend at least one meeting of the Audit Committee each year.

The Committee maintains the responsibility of making recommendations to the Board in respect of the appointment, reappointment and removal of the external auditors. In the reappointment of the Committee the Board carefully considers their performance in discharging the audit, the terms of engagement, and their independence.

The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years.

Financial Reporting

The Committee monitors the integrity of the Annual and Interim Accounts of the Company, including the review of any significant reporting issues and judgements. Advise on the clarity of disclosure and information contained in the Annual Report and Accounts.

Gonzalo Tanoira
Non-Executive Director
10 April 2019

Remuneration Committee Report

Membership

The Board has established a Remuneration Committee with the appropriate Terms of Reference, which is comprised of Carlos Miguens, Gonzalo Tanoira and Manuel de Prado. The Committee reports to the Board in respect of its responsibilities.

Responsibilities

The Committee meets once a year to discuss its ongoing responsibilities to include such matters as recommendations to the Board on all aspects and policies relating to the remuneration of Executive Directors and Executive Officers of the Company.

An outline of the key responsibilities undertaken by the Committee in the year are set out below:

- An annual review of remuneration for all Executive Directors and Senior Managers of the Company. A particular emphasis was placed on those individuals based in Argentina, due to the difficult economic conditions in the country, which has resulted in very high inflation rates.
- In May 2018, following a recommendation by the Committee, the Board agreed to re-price certain outstanding share options that had been issued to employees in order to incentivise those individuals and reflect a more realistic price level given the current market.
- Review of the Auditor's Report.
- Confirmation on the life of mine plans and associated documentation relevant to the going concern assumption in line with management's cash flow forecasts.
- Performance of sensitivity analysis on the assumptions included within the forecast.
- Matching results against management forecasts for the year ended 31 December 2018.
- Meeting with management to discuss the Directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the balance sheet date.

Carlos J. Miguens
Non-Executive Chairman
10 April 2019

Independent auditor's report to the members of Patagonia Gold plc

Opinion

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of Patagonia Gold plc for the year ended 31 December 2018, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

give a true and fair view of the state of the group's affairs as at 31 December 2018 and of its loss for the year then ended;

have been properly prepared in accordance with IFRSs as adopted by the European Union; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Overall materiality: $961,780 which represents 2% of the Group's total revenues;

Key audit matters were identified as the accounting for the purchase of the Calcatreu deposit, the existence and valuation of stockpile, and going concern; and

We performed full scope audit procedures of the group components in Argentina, which comprise 100% of the group's revenues. There were no key changes in scoping from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*How the matter was addressed in the audit*
Accounting for the purchase of the Calcatreu deposit	
During the period the group completed the purchase of the Calcatreu deposit. We identified that management's determination of the accounting treatment of this purchase as an asset purchase and not a business combination included a number of areas of judgement as detailed in IFRS 3 in respect to inputs, processes and outputs. We therefore identified accounting for the purchase of the Calcatreu deposit as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining and assessing the agreement with Pan American Silver in respect of the Calcatreu acquisition to confirm that the appropriate accounting treatment had been applied in accordance with the requirements of International Financial Reporting Standard (IFRS) 3 'Business Combinations'; and • • Obtaining management's assessment of the accounting treatment as an acquired asset, rather than a business combination, with reference to IFRS 3 and IFRS 6 and reviewed this in conjunction with the guidance provided in IFRS 3 B5-B12. The group's accounting policy on asset purchases and business combinations is shown in note 3 to the financial statements. *Key observations* We are satisfied that the acquisition of Calcatreu has been appropriately treated as an asset purchase and not as a business combination in accordance with the requirements of IFRS 3 as the acquisition provided no clear process or output.
Going Concern	

Key Audit Matters	*How the matter was addressed in the audit*
The financial statements are prepared on a going concern basis in accordance with International Accounting Standard (IAS) 1 'Presentation of Financial Statements'. Under the going concern assumption, it is assumed that the group will continue in operation and that there is neither the intention nor the need to liquidate the business or to otherwise cease trading. There are key judgements relating to the adoption of this assumption by the Group, given that it continues to require additional finance for ongoing exploration activities, and that it took a decision in February 2019 to cease operations at Lomada and to place operations at Cap-Oeste overground mine into a "care and maintenance only" programme which has reduced the current expected future revenue streams. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Challenging management's cash flow forecasts for the period to April 2020, examining and reperforming sensitivity analysis and where appropriate verifying key judgements to underlying workings and external information; • Confirmed that the life of mine plans agreed to resource predictions from third party experts and announcements made in the year and that the associated documentation was consistent with management's cash flow forecasts; • Performing sensitivity analysis on the assumptions included within the cashflow forecast; and • Comparing actual results for the year ended 31 December 2018 with management's forecasts for the period, agreeing the new financing in 2019 to signed contracts as well as matching Q1 results to the forecast provided. And The group's accounting policy and detailed disclosures on going concern are shown in note 2 to the financial statements. *Key observations* We have not identified any conditions or events that indicate that the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate.
Valuation and existence of Stockpile The measurement and valuation of ore stockpile included in inventory, together with its net realisable value, involves significant judgement by the directors as to the quantity and quality of the gold ore held in the stockpile. We consider that the decision by the Group in February 2019 to cease mining operations at Lomada and to put Cap Oeste into a care and maintenance program has increased the level of judgement associated with the valuation of inventory, specifically in relation to the ore stock pile. We therefore identified stockpile valuation and existence as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Confirming the existence of the ore stockpile at the year end to qualified surveyor reports, underlying cost records and through physical inspection of the stock pile along with understanding of the relevant controls; • Assessing the accuracy of the write down of inventory calculations; and • Comparing the net realisable value of the ore stock pile to post year-end actual sales made to the end of March 2019 and assessing the reasonableness of the forecast sale volumes, values and expected cash generation from sales to the end of May 2019, being the stated date that leaching of the pile will cease. The group's accounting policy on inventory valuation is shown in note 3 to the financial statements and related disclosures are included in note 18. *Key observations* We are satisfied that inventory is included at the lower of cost and net realisable value in accordance with the Group's accounting policy and International Accounting Standard (IAS 2) 'Inventories' .

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be $961,780 which is 2% of total Group revenue. This benchmark is considered the most appropriate because revenues are fundamental to shareholder return and working capital, two key performance indicators which are closely monitored by users of the financial statements.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the increase in total Group revenue.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

We determined the threshold at which we will communicate misstatements to the audit committee to be $48,100. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds, for example in relation to directors' remuneration and related party transactions.

An overview of the scope of our audit

The overall approach to the group audit included performing a full scope audit of the financial information of all the group components.

Our approach was based on a thorough understanding of Patagonia Gold plc's business and is risk based.. Our work included:

evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;

a full scope approach was taken based on the materiality to the group and assessment of audit risk of the South American trading operations and activities of the Group;

detailed communications with the auditors of the components in Argentina including issuing group instructions, site visits to Buenos Aires, involvement in the planning and direction of the fieldwork and detailed review of the work performed by the component auditor; and

substantive testing of significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

the information given in the strategic report and the report of the directors for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and

the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibility statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing thegroup's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company financial statements of Patagonia Gold Plc for the year ended 31 December 2018. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit. That report includes an emphasis of matter.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Westerman
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 April 2019

Independent auditor's report to the members of Patagonia Gold Plc

Opinion

Our opinion on the parent company financial statements is unmodified

We have audited the parent company financial statements of Patagonia Gold plc (the 'company') for the year ended 31 December 2018 which comprise the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the parent company financial statements:

give a true and fair view of the state of the parent company's affairs as at 31 December 2018 and of its loss for the year then ended;

have been properly prepared in accordance with International Financial Reporting Standards Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the parent company financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - carrying value of investment in subsidiary companies

We draw attention to Notes 3 and 15 to the financial statements, which describe the carrying value of the parent company investment in its subsidiary companies. As described in Note 3, the directors consider that based on the cash flow projections prepared to December 2028, and the longer-term business plan that includes an assessment of resources available and potential cash and profit generation from these resources, that the prospects for the subsidiary company operations in South America remain positive. Based on the results of the review, the directors have determined that an impairment charge of $31.4 million (2017 $9.4 million) should be recognised in the parent company financial statements. The Directors recognise the assumptions detailed in Note 3 and Note 15 can have a significant effect on the recoverable amount and therefore the value of the impairment recognised. Should there be a change in the assumptions which indicated the impairment, this could lead to a revision of recorded impairment losses. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Overall materiality: $357,000 which represents 0.5% of the company's total assets;

The Key Audit Matter identified was the carrying value of the investment in subsidiaries; and

We performed a full scope audit of the financial information of parent company. There were no key changes in scope from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How the matter was addressed in the audit*
Carrying value of investment in subsidiaries The carrying value of investment in subsidiaries held by Patagonia Gold plc contains a number of judgments including Gold price, Gold Production and discount rate used which are subject to a high degree of estimation uncertainty and so an inherent lack of precision associated with its determination. risk of misstatement. We therefore identified the carrying value of investment in subsidiaries as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: Challenging management's cashflow model and their sensitivity analysis performed thereon. This comprised where appropriate agreeing key assumptions to related calculations or external support such as current gold price and third party forecasts; Reperforming the impairment assessment undertaken by management, and challenging management's recognition of the impairment charge against the carrying value of the investments in the current year as part of testing of the cashflow model detailed above; and Evaluating the disclosures within the financial statements in respect of any prevalent political risks that may affect the value of investments and challenging their reasonableness. The parent company's accounting policy on the carrying value of investment in subsidiaries is shown in note 3 to the financial statements and related disclosures are included in note 15. *Key observations* We have concluded that the impairment charge in relation to the investment asset for the year is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the parent company financial statements as a whole to be $357,000 which is 0.5% of the company's total assets. This benchmark is considered the most appropriate because as this entity exists as a holding company.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

We determined the threshold at which we will communicate misstatements to the audit committee to be $30,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

The overall approach to the audit included the audit team performing a full scope audit of the financial information of the parent company.

Our approach was based on a thorough understanding of Patagonia Gold plc's business and is risk based. We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

the information given in the strategic report and the report of the directors for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and

the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

the parent company financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibility statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

A further description of our responsibilities for the audit of the parent company financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters

We have reported separately on the group financial statements of Patagonia Gold plc for the year ended 31 December 2018. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Westerman
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 April 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	***2018*** ***$'000***	***2017*** ***$'000***
Continuing operations			
Revenue	5	48,089	31,899
Cost of sales		(29,515)	(16,711)
Gross profit		18,574	15,188
Project sale	5	-	15,000
Project cost of sale		-	(996)
Gain on sale of project		-	14,004
Other operating income	5	1,500	-
Other operating costs	5&18	(15,147)	-
Exploration costs		(2,744)	(2,643)
Administrative costs			
Share-based payments charge	27	(190)	(42)
Other administrative costs	8	(9,708)	(14,004)
		(9,898)	(14,046)
Finance income	6	122	104
Finance costs	6	(17,436)	(2,460)
(Loss) / profit before taxes		(25,029)	10,147
Income tax benefit / (charge)	10	2,569	(2,010)
(Loss) / profit for the year		(22,460)	8,137
Attributable to non-controlling interest	23	(1,879)	830
Attributable to equity share owners of the parent		(20,581)	7,307
		(22,460)	8,137
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Loss on revaluation of available-for-sale financial assets		-	(9)
Exchange profit / (loss) on translation of foreign operations		11,882	(3,140)
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity investments at fair value through other comprehensive income		(13)	-
Other comprehensive profit / (loss) for the year		11,869	(3,149)
Total comprehensive (loss) / profit for the year:		(10,591)	4,988
Total comprehensive (loss) / profit for the year attributable to:			

Non-controlling interest		(1,879)	830
Owners of the parent		(8,712)	4,158
		(10,591)	4,988
Earnings per share ($)			
Basic earnings per share	11	(0.871)	0.004
Diluted earnings per share	11	(0.871)	0.004

Consolidated Statement of Financial Position
at 31 December 2018

	Note	2018 *$'000*	2017 *$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	14	13,508	16,387
Mineral properties	13	9,726	8,925
Mining rights	12	16,475	3,388
Other long term financial assets	24	11	24
Other receivables	16	3,075	4,654
Deferred tax asset	10	1,633	2,071
		44,428	35,449
Current assets			
Inventory	18	5,907	22,099
Trade and other receivables	17	4,921	14,682
Cash and cash equivalents	19	654	1,284
		11,482	38,065
Total assets		55,910	73,514
LIABILITIES			
Current liabilities			
Short-term loans	20	22,492	25,317
Trade and other payables	20	6,933	10,534
		29,425	35,851
Non-current liabilities			
Long-term loans	21	674	2,310
Deferred tax liabilities	10	1,075	-
Provisions	21	1,354	1,570
		3,103	3,880
Total liabilities		32,528	39,731
EQUITY			
Share capital	22	301	31,886
Share premium account		135,625	143,690
Capital redemption reserve	22	29,796	-
Currency translation reserve		22,910	300
Share-based payment reserve		14,721	15,503
Retained earnings		(178,499)	(158,003)
Equity attributable to shareholders of the parent		24,854	33,376
Non-controlling interest	23	(1,472)	407
Total equity		23,382	33,783
Total liabilities and equity		55,910	73,514

These financial statements were approved by the Board of Directors on 10 April 2019 and were signed on its behalf by:

Christopher van Tienhoven
Director

Company Registered number 3994744

Company Statement of Financial Position
at 31 December 2018

	Note	2018 *$'000*	2017 *$'000*
ASSETS			
Non-current assets			

Investment in subsidiary companies	15	53,685	88,634
Other long term financial assets	24	11	24
Mineral properties	13	1,780	1,280
Other receivables	16	-	5,787
		55,476	95,725
Current assets			
Trade and other receivables	17	15,816	9,234
Cash and cash equivalents	19	100	22
		15,916	9,256
Total assets		71,392	104,981
LIABILITIES			
Current liabilities			
Short-term loans	20	11,275	259
Trade and other payables	20	364	283
Total liabilities		11,639	542
EQUITY			
Share capital	22	301	31,886
Share premium account		135,625	143,690
Capital redemption reserve	22	29,796	-
Currency translation reserve		17,880	11,039
Share-based payment reserve		14,721	15,503
Retained earnings		(138,570)	(97,679)
Total equity		59,753	104,439
Total liabilities and equity		71,392	104,981

A separate statement of comprehensive income for the Company has not been presented as permitted by Section 408 of the Companies Act 2006. The Company made a loss of $41.0 million in 2018 (2017: $10.2 million).

These financial statements were approved by the Board of Directors on 10 April 2019 and were signed on its behalf by:

Christopher van Tienhoven Company Registered number 3994744

Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

		Equity attributable to shareholders of the parent								
	Note	*Share capital $'000*	*Share premium account $'000*	*Capital redemption reserve $'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 2017		19,587	131,602	-	18,991	14,282	(165,454)	19,008	(423)	18,585
Changes in equity for 2017										
Share-based payment	27	-	-	-	-	42	-	42	-	42
Issue of share capital										
Issue by placing	22	10,399	-	-	-	-	-	10,399	-	10,399
Transaction costs of placing	22	-	(231)	-	-	-	-	(231)	-	(231)
Lapse of option		-	-	-	-	(153)	153	-	-	-
Exchange differences on translation to $		1,900	12,319	-	(15,551)	1,332	-	-	-	-
Transactions with owners		12,299	12,088	-	(15,551)	1,221	153	10,210	-	10,210
Profit for the year		-	-	-	-	-	7,307	7,307	830	8,137
Other comprehensive income (loss):										

Revaluation of available-for-sale financial assets		-	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to $		-	-	-	(3,140)	-	-	(3,140)	-	(3,140)
Total comprehensive income/ (loss) for the year		-	-	-	(3,140)	-	7,298	4,158	830	4,988
At 31 December 2017		31,886	143,690	-	300	15,503	(158,003)	33,376	407	33,783
Changes in equity for 2018										
Share-based payment	27	-	-	-	-	190	-	190	-	190
Lapse of option		-	-	-	-	(98)	98	-	-	-
Capital reorganization	22	(31,567)	-	31,567	-	-	-	-	-	-
Exchange differences on translation to $		(18)	(8,065)	(1,771)	10,728	(874)	-	-	-	-
Transactions with owners		(31,585)	(8,065)	29,796	10,728	(782)	98	190	-	190
Loss for the year		-	-	-	-	-	(20,581)	(20,581)	(1,879)	(22,460)
Other comprehensive income /(expense):										
Revaluation of equity investments at fair value through other comprehensive income		-	-	-	-	-	(13)	(13)	-	(13)
Exchange differences on translation to $		-	-	-	11,882	-	-	11,882	-	11,882
Total comprehensive income /(loss) for the year		-	-	-	11,882	-	(20,594)	(8,712)	(1,879)	(10,591)
At 31 December 2018		301	135,625	29,796	22,910	14,721	(178,499)	24,854	(1,472)	23,382

Company Statement of Changes in Equity
for the year ended 31 December 2018

	Note	*Share capital $'000*	*Share premium account $'000*	*Capital redemption reserve $'000*	*Currency translation reserve $'000*	*Share-based payment reserve $'000*	*Accumulated losses $'000*	*Total $'000*
At 1 January 2017		19,587	131,602	-	18,120	14,282	(87,635)	95,956
Changes in equity for 2017								
Share-based payment	27	-	-	-	-	42	-	42
Issue of share capital								
Issue by placing	22	10,399	-	-	-	-	-	10,399
Transaction costs of placing		-	(231)	-	-	-	-	(231)
Lapse of option	22	-	-	-	-	(153)	153	-
Exchange differences on translation to $		1,900	12,319	-	(15,551)	1,332	-	-
Transactions with owners		12,299	12,088	-	(15,551)	1,221	153	10,210
Loss for the year		-	-	-	-	-	(10,188)	(10,188)
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets		-	-	-	-	-	(9)	(9)
Exchange differences on translation to $		-	-	-	8,470	-	-	8,470
Total comprehensive income/ (loss) for the year		-	-	-	8,470	-	(10,197)	(1,727)
At 31 December 2017		31,886	143,690	-	11,039	15,503	(97,679)	104,439
Changes in equity for 2018								
Share-based payment	27	-	-	-	-	190	-	190
Lapse of option		-	-	-	-	(98)	98	-

Capital reorganization	22	(31,567)	-	31,567	-	-	-	-
Exchange differences on translation to $		(18)	(8,065)	(1,771)	10,728	(874)	-	-
Transactions with owners		(31,585)	(8,065)	29,796	10,728	(782)	98	190
Loss for the year		-	-	-	-	-	(40,976)	(40,976)
Other comprehensive income (loss):								
Revaluation of equity investments at fair value through other comprehensive income		-	-	-	-	-	(13)	(13)
Exchange differences on translation to $		-	-	-	(3,887)	-	-	(3,887)
Total comprehensive income/ (loss) for the year		-	-	-	(3,887)	-	(40,989)	(44,876)
At 31 December 2018		301	135,625	29,796	17,880	14,721	(138,570)	59,753

Consolidated Statement of Cash Flows
for the year ended 31 December 2018

	Note	***2018*** ***$'000***	***2017*** ***$'000***
Operating activities			
(Loss) / profit before tax for the year		(25,029)	10,147
Adjustments for:			
Finance income	6	(122)	(104)
Finance costs		1,367	2,460
Depreciation	12,13&14	9,318	4,862
Net impairment of assets	14	2,260	-
Inventory Write-down	18	15,147	-
Restatement for impact of hyperinflation		(15,849)	-
Non-cash adjustments		-	(384)
Gains on sale of project		-	(14,004)
Decrease (increase) in inventory		1,045	(11,936)
Decrease (increase) in trade and other receivables	16&17	3,840	(2,105)
Decrease in deferred tax		438	1,682
Increase in Deferred tax liabilities		1,075	-
(Decrease) increase in trade and other payables	20	(697)	324
(Decrease) increase in provisions		(216)	518
Taxes paid		(329)	(815)
Share-based payments charge	27	190	42
Net cash used in operating activities		(7,562)	(9,313)
Investing activities			
Finance income	6	122	104
Purchase of property, plant and equipment	14	(4,310)	(5,659)
Additions to mineral properties	13	(1,243)	(1,167)
Additions in mining rights	12	(14,612)	-
Proceeds from disposal	17	7,500	7,500
Net cash (used in) / provided by investing activities		(12,543)	778
Financing activities			
Finance costs		(1,367)	(2,460)
Increase in Loans	20&21	37,816	27,583
Repayment of Loans	20&21	(38,468)	(25,169)
Proceeds from issue of share capital	22	-	10,399
Transaction costs of placing	22	-	(231)
Net cash (used in) / from financing activities		(2,019)	10,122
Net (decrease) increase in cash and cash equivalents		(22,124)	1,587
Cash and cash equivalents at beginning of year		1,284	735
Effects of exchange rate fluctuations on cash and cash equivalents		21,494	(1,038)
Cash and cash equivalents at end of year		654	1,284

Company Statement of Cash Flows
for the year ended 31 December 2018

	Note	*2018* *$'000*	*2017* *$'000*
Operating activities			
Loss for the year		(40,976)	(10,188)
Adjustments for:			
Finance income		(1,735)	(1,003)
Finance costs		390	357
Allowances for doubtful debts		10,444	-
Depreciation	14	-	5
Increase in mineral properties		(500)	(480)
Impairment of investment in subsidiary companies	15	31,419	9,413
Decrease (increase) in trade and other receivables 17		11	(40)
Increase in trade and other payables		81	54
Share-based payments charge	27	190	42
Net cash used in operating activities		(676)	(1,840)
Investing activities			
Increase in trade and other receivables	16&17	(10,770)	(3,080)
Finance income		1,735	1,003
Net cash used in investing activities		(9,035)	(2,077)
Financing activities			
Finance costs		(390)	(357)
Increase in loans	20	15,265	259
Repayment of loans	20	(4,242)	(6,705)
Proceeds from issue of share capital	22	-	10,399
Transaction costs of placing	22	-	(231)
Net cash from financing activities		10,633	3,365
Net increase (decrease) in cash and cash equivalents		922	(552)
Cash and cash equivalents at beginning of year		22	120
Effects of exchange rate fluctuations on cash and cash equivalents		(844)	454
Cash and cash equivalents at end of year	19	100	22

Notes to the Financial Statements for the year ended 31 December 2018

The financial statements represent the parent company, Patagonia Gold Plc (the "Company"), and its subsidiaries, collectively known as the "Group".

1. Basis of preparation

Patagonia Gold Plc is a company incorporated and domiciled in England and Wales. The Company's ordinary shares are admitted to trading on the AIM market of the London Stock Exchange.

The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Group's financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, share-based payment charge and fair value of mining rights acquired.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3. The principal accounting policies applied in the preparation of the financial statements are set out in Note 3.

The financial information is presented in United States dollars ("$"). The functional currency of the Company is British pounds sterling ("GBP"). Where indicated, financial information incorporated within these financial statements is rounded to the nearest thousand. Operations denominated in other currencies are included in this financial information in accordance with the accounting policies set out in Note 3. The Group presents its financial statements in $ as it is the currency most relevant to future activities.

2. Going concern

The attached financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

Until February 2019, Patagonia Gold operated the Cap-Oeste and Lomada mines. During 2018 Patagonia Gold produced 43,096 oz AuEq. In February 2019, the Company took the decision to close Lomada and put Cap-Oeste on care and maintenance pending a review on the viability of mining the high-grade underground resource at Cap-Oeste and potentially transporting the ore at a nearby processing facility. Patagonia Gold continues to evaluate this alternative and it is expected that a decision will be made during 2019.

In the meantime Patagonia Gold has reverted to being an exploration company that funds its activities from external sources such as debt or equity raises. In February 2019, the Company announced that its largest shareholder, Cantomi Uruguay S.A., a company owned and controlled by the Company's Non-Executive Chairman, Carlos Miguens, had provided a two year US$15 million loan facility that will be utilised to fund the Company's activities going forward while the review of the Cap-Oeste underground option is ongoing together with the Feasibility Study of its Calcatreu flagship project.

The Directors are confident that the Group has sufficient available funding and options available to enable it to continue to meet its commitments as they fall due and to undertake the current planned programme of activity over the 12 months from the date of this Annual Report.

Accordingly, the Directors have therefore concluded that the financial statements should be prepared on a going concern basis and do not include any adjustments which would be necessary if the Company and Group ceased to be a going concern.

3. Significant accounting policies

The following accounting policies have been applied consistently in respect of items that are considered material in relation to the Group and Company financial statements.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its controlled subsidiaries. Controlled subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

Non-controlling interests in the Company's less than wholly owned subsidiaries are classified as a separate component of equity. The consolidated financial statements of the Group include 100% of the operating losses and net assets of subsidiaries in which there is a non-controlling interest if the operating losses of the subsidiary are fully financed by the Group.

Revenue recognition

The Group recognises sales revenue related to the transfer of promised goods when control of the goods passes to the customer. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods.

Sales revenue is recognised on individual sales when control passes to the customer and the Group satisfies its performance obligations. Control passes and sales revenue is recognised at the point at which the gold is delivered to the customer. Revenue from the sale of significant by-products, such as silver, are included in sales revenue.

Presentation and disclosures

Consolidated sales revenue as reported in the income statement comprises sales to third parties. The Group's products might be provisionally priced at the date revenue is recognised, but the actual amount is confirmed within days. Sales revenue includes revenue from contracts with customers, which is accounted for under IFRS "Revenue from Contracts with Customers". Typically the Group has a right to payment at the point that control of the goods passes including for provisionally priced products, whereby the final sales price is confirmed after refining is completed.

Presentation of comparative consolidated sales revenue is in accordance with the previous standard IAS 18 "Revenue Recognition". No material measurement or recognition differences on comparative information were identified between IAS 18 and the current standard IFRS 15. For further understanding of the impact of the transition to IFRS 15, refer to the "Changes in accounting policies and disclosures" section later within this note.

Foreign currency

The Parent company's functional currency is GBP. The Argentine subsidiaries functional currency is Argentine Peso ("AR$"). Functional currencies represent the main currencies of both income and on-going capital expenditure within those individual entities. Transactions in foreign currencies are initially recorded in the respective entities functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the consolidated statement of comprehensive income. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined. On consolidation, each Group entity translates its financial statements into $ as outlined below. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

The financial statements of the Group and the Company are presented in $. The Directors believe that the $ more accurately reflects the gold and silver markets and is the main currency of both income and on-going capital expenditure of the Group. For presentation purposes assets, liabilities and equity, excluding retained earnings, are translated to $ at exchange rates at the reporting date. Income and expenses are translated to $ at the average exchange rate for the period in which the transaction arose. The GBP/$ closing exchange rate as at 31 December 2018 was 1.2734 (2017: 1.3491) whilst the average rate for the year ended 31 December 2018 was 1.3348 (2017: 1.2885). For the year ended 31 December 2018, a translation gain of $11.9 million is recognised resulting from the translation to $ of the Company's foreign operations (2017: translation loss $3.1 million).

Exchange differences arising are recognised in other comprehensive income as a separate component of equity titled "Currency translation reserve". On disposal of a foreign operation the cumulative exchange differences recognised in other comprehensive income are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

The group's subsidiary financial statements that are in hyperinflationary economies are prepared using the historical cost approach and have therefore had their current year and corresponding figures for their financial statements restated for the changes in general purchasing power of that subsidiary's functional currency (Argentine Peso). As a result, these subsidiaries' financial statements are stated in terms of the measuring unit current at the end of the reporting period.

In accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, the financial statements of those subsidiaries were restated after applying a general price index and translated at closing rates before they were included in the consolidated financial statements. IAS 29 does not apply to the consolidated accounts, as the parent's functional currency and group's presentational currency are not in hyperinflationary economies.

The subsidiary financial statements in hyperinflationary economies have used the Consumer Price Index (IPC) published by the National Institute of Statistics and Census (INDEC) as from January 2017 (base month: December 2016) and the Wholesale Price Index (IPIM) published by the INDEC to date, by computing for the months of November and December 2015, on which no INDEC information is available on changes in the IPIM, the IPC variation in the City of Buenos Aires. Considering such index, inflation amounted to 47.64% and 24.79% in the fiscal years ended December 31, 2018 and 2017, respectively.

IAS 29 and IAS 21 'The Effects of Changes in Foreign Exchange Rates', state that when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements.

The following subsidiaries incorporated in Argentina, Patagonia Gold S.A., Minera Minamalu S.A., Huemules S.A., Leleque Exploracion S.A. and Minera Aquiline S.A., report their financial statements in the currency of a hyperinflationary economy.

Share-based payments

Share options granted to employees and directors are categorised as equity-settled share-based payments. Equity-settled share-based payments are measured at the fair value of goods or services received when the fair value can be reliably estimated. If the fair value of goods and services received cannot be reliably measured, then the fair value of the instrument issued is measured using an appropriate option pricing model at the grant date. For share options granted to employees and directors, the fair value of the options is measured using the Black-Scholes option pricing model and excludes the impact of non-market vesting conditions (for example, profitability and sales growth).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to "share-based payment reserve". If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

As share options are exercised, proceeds received net of attributable transaction costs, increase share capital, and where appropriate share premium. The fair value of the exercised options carried in share-based payment reserve is transferred to retained earnings.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost net of any provision for impairment. Capital contributions are recognised at cost within investments in subsidiary undertakings.

The review carried out as at 31 December 2018 was based on cash flow projections through to December 2028. It was concluded that an impairment charge of $31.4 million (2017 $9.4 million) should be recognised against the carrying value of the parent company investment in its subsidiaries.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventory

Inventory comprises gold held on carbon and in the pile 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.

Exploration costs

Exploration costs are expensed until the determination of the technical feasibility and the commercial viability of the associated project. Exploration costs include costs directly related to exploration and evaluation activities in the area of interest. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when economically recoverable resources are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. This determination is normally evidenced by the completion of a technical feasibility study.

Mining rights

Mining rights are rights to explore and mine specified areas of land acquired from the landowner. Mining rights acquired for stated terms in excess of 10 years are capitalised as intangible assets and are measured initially at cost and amortised on a straight-line basis over the term of the rights. Mining rights acquired for undefined terms are capitalised as intangible assets and are measured initially at cost and amortised on a unit-of-production method over the estimated period of economically recoverable resources. Amortisation is charged to administrative expenses in the Statement of Comprehensive Income.

Mineral properties

Once the technical feasibility study is completed, subsequent exploration and development expenses are capitalised as mineral properties. Engineering expenditures incurred to design the size and scope of the project, environmental assessments, permitting, and surface rights acquisitions are capitalised in mineral properties. Upon reaching the development stage, these capitalised costs will be amortised using the unit-of-production method over the estimated period of economically recoverable resources. The cost of the Earn-In agreement in relation to Trilogy has been included within mineral properties at 31 December 2018.

Assets under construction

Assets under construction at projects and operating mines are capitalised in the "assets in the course of construction" account.

From 1 March 2011 to 31 May 2017, exploration costs on the COSE Project were capitalised as mineral properties - assets in the course of construction. On 31 May 2017, the Company completed the sale of the COSE project to a subsidiary of Pan American Silver Corp. for a total consideration of US$15 million.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated to write off the cost of property, plant and equipment to their estimated residual value over their estimated useful lives at the following rates:

Straight-line basis	
Office equipment	5 - 10 years
Vehicles	5 years
Machinery and equipment	3 years
Buildings	20 years
Unit of production	
Plant	Depreciation of the plant is depreciated on a unit-of-production method over the estimated period of economically recoverable resources.

An asset's residual value, useful life and depreciation method are reviewed and adjusted, if appropriate, on an annual basis.

All costs incurred and revenue received in relation to the Lomada Project from 1 September 2010 to 30 June 2013 are related to the testing and development phase of the project, prior to commencement of commercial operations. These costs and revenues are capitalised to mineral properties - mining assets. Commercial production was deemed to commence on 1 July 2013 when the trial phase had ended, construction of the main heap leach operation was completed and recovery rates had reached the levels anticipated for commercial exploitation of the project. Upon commencement of commercial production, all revenue and operating expenses in respect of mining and processing operations at the Lomada Project have been recognised in the income statement.

The Company completed the development of Cap-Oeste Project in September 2016, entering into production in the last quarter of the year. As a result of the experience gained at Lomada, no trial production period was required at Cap-Oeste. Revenue from commercial production was therefore recognised from the outset. The development expenditure capitalized will be amortised based on the unit of production method.

Improvements and advances

Improvements and advances at the year-end relate to the development and modification of plant, Machinery and equipment, including advance payments.

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use, at which point it is transferred to property, plant and equipment and depreciation commences. Improvements and advances are not depreciated.

Impairment of assets

The Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. These reviews are made annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

An impairment loss recognised in prior periods to an asset or cash-generating unit is reversed if there has been a change in the estimates used to determine the respective recoverable amount since the last impairment loss was recognised. The reversal of previously recognised impairment losses is limited to the original carrying value of the asset including any amortisation that would have accrued.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Financial instruments

The Group has elected to apply the limited exemption in IFRS 9 relating to classification, measurement and impairment requirements for financial instruments, and accordingly comparative periods have not been restated and remain in line with the previous standard IAS 39 "Financial Instruments: Recognition and Measurement". For further understanding of the transition to IFRS 9 refer to the "Changes in accounting policies and disclosures" section later within this note.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(i) Financial assets

Classification and measurement
The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through the income statement (FVPL)) and those to be held at amortised cost.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of financial assets at initial recognition. The Group's policy with regard to financial risk management is set out in note 24. Generally, the Group does not acquire financial assets for the purpose of selling in the short term and does not have any financial assets measured at fair value through the income statement (FVPL) in either the current or prior year.

The Group's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows).

(a) Financial assets held at amortised cost
This classification applies to the Group's trade & other receivables which are held under a hold to collect business model and which have cash flows that meet the "solely payments of principal and interest" (SPPI) criteria. At initial recognition, trade and other receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition or modification of a financial asset held at amortised cost is recognised in the income statement.

(b) Financial assets held at fair value through other comprehensive income (FVOCI)
This classification applies to the equity investments where the Group has irrevocably elected to present fair value gains and losses on revaluation in other comprehensive income. The election can be made for each individual investment; however, it is not applicable to equity investments held for trading.

Fair value gains or losses on revaluation of such equity investments, including any foreign exchange component, are recognised in other comprehensive income. When the equity investment is derecognised, there is no reclassification of fair value gains or losses previously recognised in other comprehensive income to the income statement.

Dividends are recognised in the income statement when the right to receive payment is established.

(c) Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)
Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are initially measured at fair value, including transaction costs, with subsequent changes in value recognised in other comprehensive income. Gains and losses arising from investments classified as available-for-sale are recognised in profit or loss when they are sold or when the investment is impaired.

Impairment of financial assets
A forward-looking expected credit loss (ECL) review is required for: debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. The Group's instruments within the scope of the new requirements included trade and other receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

As permitted by IFRS 9, the Group applies the "simplified approach" to trade and other receivable balances and the "general approach" to all other financial assets. The simplified approach in accounting for trade and other receivables records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates.

The nature of the Group's trade and other receivables are such that the expected credit loss is immaterial in the current and prior year, therefore no additional disclosures are considered necessary within the credit risk section of note 24.

(ii) Financial liabilities

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

Financial liabilities are recorded, subsequent to initial recognition, at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or on-going production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present values, are provided for in full as soon as the obligation to incur such costs arises and can be quantified. On recognition of a full provision, an addition is made to property, plant and equipment of the same amount; this addition is then charged against profits on a unit of production basis over the life of the mine. Closure provisions are updated annually for changes in cost estimates as well as for changes to life of mine reserves, with the resulting adjustments made to both the provision balance and the net book value of the associated non-current asset.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of the Company's ordinary shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for ordinary shares, net of expenses of the share issue.
- "Capital redemption reserve" represents the buy-back of deferred shares as part of a share capital reorganisation.
- "Currency translation reserve" represents the differences arising from translation of the financial statements of the Group's foreign entities and the Company's financial statements to the presentational currency of $.
- The Company's "Currency translation reserve" represents the difference arising from translation of the Company's financial statements to the presentational currency of $.
- "Share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Accumulated losses" includes all current and prior period profits and losses.
- "Non-controlling interest" is the equity in a subsidiary not attributable, directly or indirectly, to the parent company.

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in the General Meeting prior to the balance sheet date.

Earnings per share

Earnings per share is calculated based on the weighted average number of ordinary shares issued and outstanding. Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options in the per share calculation are assumed to be used to acquire ordinary shares. When the Group is in a loss position, the effect of potential issuances of shares under options would be anti-dilutive, and has not been considered.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment) and takes into account the economic environment in which that segment operates. IFRS 8 requires the amount of each operating segment item to be disclosed based on internal management information. The Group's projects, the majority of which are at the exploration or development stage in South America, are not reported as separate segments. As and when each individual project progresses to construction, trial and then to production stage, it is reported as a separate segment for internal management information. Therefore, for the purposes of segmental reporting, as at 31 December 2018 the Lomada Project and the Cap-Oeste Project are treated as separate operating reporting segments from the Group's other projects.

Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date of entering into the lease agreement.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements. It has concluded that there is no significant risk of these estimates and assumptions causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Information about the estimates and judgements made by the Group to reach its conclusions are contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below:

Key Estimates and judgements

- Mining rights - See Note 12. The mining rights acquired by PGSA (Fomicruz Agreement) are for a forty-year period from the date of the agreement and are amortised on a straight-line basis over forty years commencing in 2012. The mining rights acquired by Patagonia Gold Canada Inc. (Minera Aquiline Argentina Acquisition) are for indefinite terms and are amortised a unit-of-production method over the estimated period of economically recoverable resources. The Directors consider that this basis remains appropriate.
- Recoverability of VAT balances due to the Group - The directors have considered in year and post year-end approvals set by the Mining Secretary in Argentina and consider the VAT receivable as at 31 December 2018 to be recoverable in full and no provision is considered necessary. See Note 16.
- Carrying value of the parent company investment in its subsidiaries. The Directors have, with the support of a financial modelling expert, reviewed the carrying value of the parent company investment in its subsidiaries. They consider that based on the cash flow projections prepared to December 2028, and the longer-term business plan that includes an assessment of resources available and potential cash and profit generation from these resources, that the prospects for the subsidiary company operations in South America remain positive. The key assumptions inherent in the forecasts and sensitivity to changes in these assumptions are shown in note 15. Based on the results of the review, the directors have determined that an impairment charge of $31.4 million (2017 $9.4 million) should be recognised. The Directors recognise that the sensitivity of the assumptions used, the exploratory nature of the Company operations and future plans, and the ability to raise adequate financing to implement these plans, indicate the existence of a material uncertainty which may cast significant doubt over the carrying value of the Company's investment in its subsidiary companies.
- Recoverability of intercompany loan balances - As at 31 December 2018 the parent company has $8.2 million (2017 $13.5m) in loans with PGSA. These loans attract an interest charge of 7%. The directors have reviewed the ability of PGSA to repay these loans based on current forecasts and consider that they are required to make a provision against these loans.
- Recoverability of intercompany receivables relate to advances from the parent company to PGCAD - As at 31 December 2018 the parent company has $15.8 million (2017 $nil) in receivables with PGCAD. The directors have reviewed the ability of PGCAD to repay these advances and consider that the company has sufficient cash flow generating potential from operations and/or available alternative funding to meet its obligations. No provision has therefore been made.
- Classification of mineral properties - See Note 13. Exploration expenditures relating to a particular project will be written off until such time as the Board has determined that the project is viable based upon a positive feasibility study and a decision to move into production.
- A 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 block. This amount has not been recognised, as there is no certainty of achieving the required indicated resource threshold. See Note 4.
- Fair value of the mining rights acquired from Fomicruz, an established mining company, wholly-owned by the government of Santa Cruz Province - See Note 12. 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 are measured, by reference to the estimated fair value of the 10% interest in PGSA acquired by Fomicruz on 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 is 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.
- Deferred tax asset - See Note 10. Management consider that the deferred tax asset is expected to be utilised against taxable income in 2020-2021.
- Purchase of the Calcatreu gold mining rights - See Note 12. During the year the Group acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline Argentina S.A ("MASA"). Management assessed whether the acquired asset constituted a business, and should be accounted for under IFRS 3, or whether the transaction should be accounted for as an asset purchase. IFRS 3 includes factors to consider such that an integrated set of activities and assets in the development stage can qualify as a business. Management concluded that in essence they have acquired the underlying resources as: no exploration had been undertaken since 2007; no feasibility study; and no Environmental Impact Assessment exist for the Calcatreu project.

Changes in accounting policies and disclosures

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), the International Financial Reporting Interpretations Committee ("IFRIC"), the International Accounting Standards and Standards Interpretations Committee Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect as at 31 December 2018 and to the extent that they have been adopted by the European Union.

New and revised standards that are effective for annual periods beginning on or after 1 January 2018

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018. Information on these new standards is presented below:

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 and is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 9 introduce extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets.

When adopting IFRS 9, the Company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings. IFRS 9 also contains new requirements on the application of hedge accounting, which are not relevant to the Company.

The adoption of IFRS 9 has impacted the following areas:

- the classification of the Company's investments in listed equity securities were previously classified as available for sale investments under IAS 39 are now measured at fair value through other comprehensive income, as the Company elected to irrevocably designate the equity investments as such (see note 24). Designating the equity investments as fair value through other comprehensive income means that the fair value movements continue to be recognised in other comprehensive income, as was the treatment for available for sale investments. The investments in listed equity securities continue to be measured at fair value and therefore there are no changes in measurement from 2017.
- there have been no changes to the classification or measurement of any other non-current financial assets; current financial assets; or financial liabilities; as a result of the application of IFRS 9.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application to be recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of IFRS 15 has not led to any adjustment to the opening balance of retained earnings, as the treatment of revenue has not led to any material differences.

The key issues that have been assessed on adoption of IFRS 15 are:

- where sales are made on provisional pricing arrangements - where there is an initial selling price followed by a true up once the shipment has been refined. The contracts agree 95% of the value upfront and therefore any additional uncertainty for a particular shipment around the year end is immaterial.
- whether there are additional performance obligations around delivery of the gold - this is arranged through a third party and is a cost of the Company and outside the contract with the customer.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

- IFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17. It completes the IASB's project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

  Management is in the process of assessing the full impact of the Standard. So far, the Group believes that the most significant impact will be that the Group will need to recognise a right of use asset and a lease liability for the office and warehouse space currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to $144,996. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

  The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

  IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Group does not expect any changes for leases where they are acting as a lessor.

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

The Group announced on 21 February 2007 that it had acquired the rights, title and interest in 70 expedientes (mineral titles) previously held by Barrick Exploraciones Argentina S.A. and Minera Rodeo S.A. (collectively the "Barrick Sellers") being subsidiaries of Barrick Gold Corp. ("Barrick"). The expenditure commitments totalling $10.0 million, which were given to Barrick, have been fully satisfied.

Under the original agreement, PGSA had granted Barrick an option to buy back up to a 70% interest in the properties sold to PGSA under the acquisition agreement upon the delineation of the greater of 2.0 million ounces of gold or gold equivalent NI 43-101 indicated resource on that property group going forward ("Back in Right").

On 23 March 2011, the Back in Right from the original property acquisition agreement was eliminated in exchange for a 2.5% NSR in favour of the Barrick Sellers on all future production of mineral products on the properties sold to PGSA under the acquisition agreement. Revenues have been recognised from 1 July 2013 when the Lomada project was deemed to have commenced commercial production. The proceeds of sales of gold and silver from the Lomada Project trial heap leach from December 2012 to 30 June 2013 have been deducted from mineral properties - mining assets (see Note 13) and an appropriate accrual was made for the NSR in compliance with IAS37, where NSR royalty payments are recognised and accrued once sales are made and the liability to settle the NSR is unconditional.

A payment of $1.5 million will be 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. The amount has not been recognised, as there is no certainty of achieving the required indicated resource threshold.

5. 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 Cap-Oeste Project which commenced commercial production in Q4 2016. All revenue in the period is derived from sales of gold and silver.

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

	Lomada Project $'000	Cap-Oeste Project $'000	COSE Project $'000	Argentina, Uruguay and Chile $'000	United Kingdom $'000	Total $'000
2018						
Revenue	-	48,089	-	-	-	48,089
Cost of sales	-	(29,515)	-	-	-	(29,515)
Gross Profit	-	18,574	-	-	-	18,574
Other operating income	-	-	1,500	-	-	1,500
Other operating costs	(1,666)	(13,481)	-	-	-	(15,147)
Exploration costs	-	-	-	(2,744)	-	(2,744)
Administrative costs						
Share based payments charge	-	-	-	-	(190)	(190)
Other administrative costs	(328)	(1,544)	-	(6,844)	(992)	(9,708)
	(328)	(1,544)	-	(6,844)	(1,182)	(9,898)
Finance income	-	-	-	122	-	122
Finance costs	-	-	-	(16,459)	(977)	(17,436)
Profit / (loss) before taxes	(1,994)	3,549	1,500	(25,925)	(2,159)	(25,029)
Income tax benefit	-	-	-	2,569	-	2,569
Profit / (loss) for the year	(1,994)	3,549	1,500	(23,356)	(2,159)	(22,460)

	Lomada Project $'000	Cap-Oeste Project $'000	COSE Project $'000	Argentina, Uruguay and Chile $'000	United Kingdom $'000	Total $'000
2017						
Revenue	7,985	23,914	-	-	-	31,899
Cost of sales	(2,504)	(14,207)	-	-	-	(16,711)
Gross Profit	5,481	9,707	-	-	-	15,188
Project Sale	-	-	15,000	-	-	15,000
Project Cost sale	-	-	(996)	-	-	(996)
Gains on sale of project	-	-	14,004	-	-	14,004
Exploration costs	-	-	-	(2,643)	-	(2,643)
Administrative costs						
Share based payments charge	-	-	-	-	(42)	(42)
Depreciation and amortisation	(125)	(1,705)	-	(3,027)	(5)	(4,862)
Other administrative costs	-	-	-	(7,793)	(1,349)	(9,142)
	(125)	(1,705)	-	(10,820)	(1,396)	(14,046)
Finance income	-	-	-	104	-	104
Finance costs	-	-	-	(2,103)	(357)	(2,460)
Profit / (loss) before taxes	5,356	8,002	14,004	(15,462)	(1,753)	10,147
Income tax charge	-	-	-	(2,010)	-	(2,010)
Profit for the year	5,356	8,002	14,004	(17,472)	(1,753)	8,137

Total assets and total liabilities

	Total Assets		Total Liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Argentina - Cap-Oeste Project	21,982	49,492	5,320	10,011
Argentina and Chile[1]	26,788	13,682	14,365	28,342
Argentina - Lomada Project	5,189	1,432	1,205	836
United Kingdom	1,951	1,408	11,638	542
Argentina - COSE Project	-	7,500	-	-
	55,910	73,514	32,528	39,731

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

	2018 $'000	2017 $'000
Argentina [1]	2,744	2,393
Uruguay	-	250
	2,744	2,643

(1) Segment represents exploration projects other than the Lomada Project, Cap-Oeste Project.

From 1 September 2010 onwards, expenditures incurred at the Lomada Project are capitalised and disclosed as mineral properties - mining assets (See Note 13). From 1 April 2011 certain costs are included in inventory.

From 1 March 2011 to 31 May 2017, exploration costs on the COSE Project were capitalised as mineral properties - assets in the course of construction. On 31 May 2017, the Company completed the sale of the COSE project to a subsidiary of Pan American Silver Corp. for a total consideration of US$15 million.

From 1 January 2016 onwards, expenditures incurred at the Cap-Oeste Project are capitalised and disclosed as mineral properties - mining assets (See Note 13). From 1 October 2016 certain costs are included in inventory.

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

During the year ended 31 December 2017 the Company sold the COSE project to Pan American Silver Corp. and in the year ended 31 December 2018 the Company sold its COSE 1.5 per cent net smelter returns royalty to Metalla Royalty & Streaming Limited ("Metalla") for a total consideration of $1.5 million. This royalty sale has been disclosed as other operating income.

6. Finance income and finance costs

	2018 $'000	2017 $'000
Bank interest	122	104
Finance income	122	104
Interest on loans	(1,367)	(2,460)
Loss on hyperinflationary net monetary position	(1,665)	-
Foreign exchange loss	(14,404)	-
Finance costs	(17,436)	(2,460)

The Group has entities domiciled in Argentina, which has been classified as a hyperinflationary economy from 1 July 2018. The functional currency of these entities is the Argentine Peso and with this currency being exposed to a hyperinflationary economy it generates gain/loss for exposure to inflation, which has been classified as financial income/costs (net monetary position).

7. Staff numbers and costs

	2018 $'000	2017 $'000
Wages and salaries	7,812	9,576
Social security costs	1,404	1,514
	9,216	11,090

	2018 Number	2017 Number
The average number of employees (including Directors) by location during the year was:		
Argentina-operations	139	156
Argentina and Chile - exploration and administration	74	63
Spain - administration	1	1
	214	220

8. Other administrative costs

	2018 $'000	2017 $'000
General and administrative	3,443	4,088
Argentine statutory taxes	581	780
Professional fees	863	527
Payments under operating leases	89	126
Foreign currency translation loss	-	5,906

Parent and subsidiary company Directors' remuneration	257	277
Profit on sale of assets	(46)	-
Depreciation charge	9,218	4,762
Amortisation of mining rights	100	100
Depreciation allocated to inventory	(7,087)	(2,756)
Net impairment of assets [(1)]	2,260	-
VAT expense	4	35
Consultancy fees	26	159
	9,708	14,004

[(1)] See note 13&14

The decrease in 'General and administrative' costs relates to the devaluation of the Peso.

9. Remuneration of Directors and key management personnel

Parent Company Directors' emoluments:

	2018 $'000	2017 $'000
Directors' fees	48	45
Directors salary	245	240
	293	285

See Report of the Directors for individual Directors' remuneration and share option awards.

In 2018, the highest paid Director was due $245 thousand (2017: $240 thousand). This amount does not include any share-based payments charge.

The directors had an unrealised gain of $Nil (2017: $Nil) from the exercise of share options during the year ended 31 December 2018.

Key management personnel emoluments:

	Note	2018 $'000	2017 $'000
Share-based payments charge	27	190	42
Salaries		120	120
Other compensation, including short-term benefits		173	165
		483	327

Key management personnel are defined as the Directors, including the CEO, the COO and interim CFO

10. Income tax

The current income tax benefit for the year on the ordinary business of the Group was $ 2,569 thousand (2017: Expense $2,657 thousand).

Factors affecting the income tax expense for the year

The following table reconciles the reported income tax expense to the estimated income tax recovery that would have been obtained by applying the Group's 2018 and 2017 UK Statutory tax rate to the Group's profit before income tax. Items shown in other comprehensive expense are not expected to have a material impact on the year's income tax expense.

Income tax expense	**2018 $'000**	**2017 $'000**
(Loss) / Profit on ordinary activities before taxation	(25,029)	10,147
Expected tax expense at the standard UK corporation tax rate of 19% (2017: 19%)	(4,755)	1,928
Adjustments for short term timing differences		
Different local tax rates	(1,304)	1,771
Expenses not deductible for tax purposes	2,509	(46)
Losses and other temporary differences	4,354	(2,700)
Origination and reversal of temporary timing differences	(3,373)	1,057
Total tax (benefit) / expense	(2,569)	2,010

Deferred taxation

At 1 January	2,071	3,753
Exchange differences	(1,046)	(625)
Charge for the year	3,373	(1,057)
Restatement for impact of hyperinflation	(3,840)	-
Deferred tax (liability) / asset at 31 December	558	2,071

Factors that may affect future tax charges

The Group contains entities with tax losses and deductible temporary differences for which no deferred tax asset is recognised.

The Company has unrecognised losses and other temporary differences at 31 December 2018 of approximately $64 million - £47.5 million (2017: $33.2 million - £24.5 million) that may be utilised against future taxable income. UK losses and other temporary differences may be carried forward indefinitely to reduce taxable income in the future.

Subsidiary companies in Argentina have unrecognised tax losses at 31 December 2018 of approximately $71 thousand - AR$2.7 million (2017: $43 thousand - AR$791 thousand) which may be used against future taxable income. These losses expire as follows:

Year	AR$	$ (in Thousands)
2019	84	2
2020	86	2
2021	144	4
2022	186	5
2023	2,177	58

Subsidiary companies in Argentina have cumulative unused exploration costs related to different mining projects as at 31 December 2018 of approximately $6.3 million - AR$ 238.8 million (2017: $13.5 million - AR$ 251.4 million). Under the Argentine law "Ley de Inversiones Mineras No. 24196", which combines the requirements of the federal tax code and the mining code, exploration costs are available to be deducted from taxable income two times in the following order:

1) as a depreciation on the basis of the units of the project production; and

2) as a deduction in full within the first five years as of the start of the related project production.

A deferred tax asset of $3.8 million (2017: $2.1 million) related mainly to tax loss accumulated and the depreciation of fixed assets from PGSA has been recognised as at 31 December 2018, this amount is expected to be utilised against taxable income in following years**.** A deferred tax liability of $3.2 million (2017: $nil million) related mainly to the exposure to inflation from Argentinian companies has been recognised as at 31 December 2018. Following IAS1.56 the entire deferred tax asset and liability is shown as non-current.

The development of fiscal legislation in Argentina may lead to inherent uncertainties. Legislation is both complex and in certain situations, fiscal policies may be conflicted within the Courts. Management continually monitor fiscal developments to ensure that the Group is responsive to changes in legislation, once these changes become clear.

The standard UK corporation tax rate remained at 19% in the year to 31 March 2018 and in the year to 31 March 2019. Following announcements from the UK Chancellor of the Exchequer, corporation tax rates will be reduced to 17% by the year 2020.

11. Earnings per share

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

	Year to 31 December 2018	**Year to 31 December 2017**
(Loss) / Profit after tax *($'000)*	(20,581)	7,307
Weighted average number of shares	23,634,749	1,640,881,473
Basic (loss) profit per share ($)	(0.871)	0.004
Diluted (loss) profit per share ($)	(0.871)	0.004

At 31 December 2018, there were 1,706,830 (31 December 2017: 93,508,000) share options (see Note 22 and 27). For the year ended 31 December 2018, the Group has reported a loss, so the share options are non-dilutive, the share options in the prior year would have a potentially dilutive effect on the basic profit per share.

12. Mining rights

	Fomicruz Agreement [1]	Minera Aquiline Argentina Acquisition [2]	Total
	$'000	$'000	$'000
At January 1, 2017	3,488	-	3,488
Amortisation charge for the period	(100)	-	(100)
At December 31, 2017	3,388	-	3,388
At January 1, 2018	3,388	-	3,388
Additions	-	14,612	14,612
Amortisation charge for the period	(100)	-	(100)
Exchange differences	-	(1,425)	(1,425)
At December 31, 2018	3,288	13,187	16,475
Net book value			
At December 31, 2018	3,288	13,187	16,475
At December 31, 2017	3,388	-	3,388

[1] 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.

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.

[2] On 31 January 2018, Patagonia Gold, through a wholly owned subsidiary (Patagonia Gold Canada Inc. "PGCAD"), has acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline Argentina S.A. ("MASA"), a subsidiary of Pan American Silver Corporation. The board consider the acquisition to constitute a new opportunity to develop and produce resources as well as enabling the company to diversify its regional operations and improve its risk profile. Total consideration for the acquisition amounted to $15 million. PGCAD has made the initial payment of $5 million on 31 January 2018 and the final payment of $10 million on legal completion on 18 May 2018.

Management has estimated the fair value of the net asset of MASA at $0.4 million, this amount has been recorded as an investment in PGCAD. The difference between the fair value of the net asset and the price paid for the 100% of the shares of MASA, $14.6 million, is related to the rights to explore and mine the Calcatreu Deposit. These mining rights have been recorded as an intangible asset and are going to be amortised on a unit-of-production method over the estimated period of economically recoverable resources.

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

13. Mineral properties

	Mining assets $'000	**Surface rights acquired $'000**	**Assets in the course of construction $'000**	**Total $'000**
Cost				
At 1 January 2017	11,796	993	905	13,694
Additions	1,167	-	-	1,167
Disposals	-	-	(772)	(772)
Exchange differences	(1,574)	(146)	(133)	(1,853)
At 31 December 2017	11,389	847	-	12,236
At 1 January 2018	11,389	847	-	12,236
Additions	868	375	-	1,243
Restatement for impact of hyperinflation	6,127	4,238	-	10,365

Exchange differences	(4,959)	(428)	-	(5,387)
At 31 December 2018	13,425	5,032	-	18,457
Amortisation				
At 1 January 2017	1,978	-	-	1,978
Charge for the period	1,830	-	-	1,830
Exchange differences	(497)	-	-	(497)
At 31 December 2017	3,311	-	-	3,311
At 1 January 2018	3,311	-	-	3,311
Charge for the period	1,872	-	-	1,872
Impairment	-	908	-	908
Restatement for impact of hyperinflation	4,313	-	-	4,313
Exchange differences	(1,673)	-	-	(1,673)
At 31 December 2018	7,823	908	-	8,731
Net book value				
At 31 December 2018	5,602	4,124	-	9,726
At 31 December 2017	8,078	847	-	8,925

Mining assets

The Lomada Project completed the trial heap leach phase and entered full commercial production in Q3 of 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 leach project to 30 June 2013 was $1.1 million. These proceeds were offset against the capitalised costs of Lomada Project development in compliance with IAS 16. Amortisation is charged based on the unit-of-production method.

The Company completed the development of Cap-Oeste Project in September 2016, entering into production in the last quarter of the year. As a result of the experience gained at Lomada, no trial production period was required at Cap-Oeste. Revenue from commercial production was therefore recognised from the outset. The development expenditure capitalised will be amortised based on the unit of production method.

In February 2019 the Company took the decision to put Cap-Oeste on care and maintenance as the expected revenue from production would not cover the operating costs. The Company is continuing to evaluate the options available to mine the high-grade COSE-style hypogene mineralisation which lies below the completed open pit and which is estimated to hold approximately 300,000 oz AuEq at 20g/t AuEq and treat it at a nearby facility.

The decision to close the Lomada de Leiva mine and put Cap-Oeste on care and maintenance has led to a reduction in the estimate of economically recoverable resources going forward, which has resulted in an acceleration of amortisation of these mining assets at the end of the year.

Trilogy Mining Corporation

In January 2016, Patagonia Gold entered into an earn-in agreement with Trilogy Mining Corporation ("Trilogy") in relation to the San José Project in Uruguay. This agreement with Trilogy represents a great opportunity to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks. This has been recognised within mining assets at a cost of $1.78 million (2017: $1.28 million). The directors have considered and concluded that no impairment in value is needed at 31 December 2018. This investment was made directly by the parent company and is therefore reflected in the parent company balance sheet as well as that of the Group.

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 Project.

As at 31 December 2018, the Company has impaired surface rights totalling $0.9 million. The impairment has been recognised within Other administrative costs within the consolidated statement of comprehensive income.

Assets in the course of construction

From 1 March 2011 to 31 May 2017, exploration costs on the COSE Project were capitalised as mineral properties - assets in the course of construction. On 31 May 2017, the Company completed the sale of the COSE project to a subsidiary of Pan American Silver Corp. for a total consideration of US$15 million.

14. Property, plant and equipment

Group **Company**

	Office equipment and vehicles $'000	Machinery and equipment $'000	Buildings $,000	Plant $'000	Improvements and equipment $'000	Total $,000	Office equipment $'000
At 1 January 2017	1,213	9,844	417	9,069	1,965	22,508	159
Additions	155	4,117	-	508	879	5,659	-
Transfers	-	1,490	-	-	(1,490)	-	-
Disposals	-	-	-	-	-	-	-
Exchange differences	(139)	(1,446)	(61)	(1,335)	(289)	(3,270)	15
At 31 December 2017	1,229	14,005	356	8,242	1,065	24,897	174
At 1 January 2018	1,229	14,005	356	8,242	1,065	24,897	174
Additions	541	2,970	-	594	205	4,310	-
Transfers	-	264	-	-	(264)	-	-
Disposals	(127)	(3)	-	-	-	(130)	-
Restatement for impact of hyperinflation	608	10,138	647	8,272	205	19,870	-
Exchange differences	(544)	(7,077)	(180)	(4,163)	(538)	(12,502)	(10)
At 31 December 2018	1,707	20,297	823	12,945	673	36,445	164
Depreciation							
At 1 January 2017	362	2,215	44	4,259	-	6,880	154
Charge for the year	194	1,746	8	984	-	2,932	5
Exchange differences	(36)	(521)	(7)	(738)	-	(1,302)	15
At 31 December 2017	520	3,440	45	4,505	-	8,510	174
At 1 January 2018	520	3,440	45	4,505	-	8,510	174
Charge for the year	286	2,454	16	4,590	-	7,346	-
Disposals	(121)	(3)	-	-	-	(124)	-
Impairment	-	1,352	-	-	-	1,352	-
Restatement for impact of hyperinflation	262	3,896	87	5,828	-	10,073	-
Exchange differences	(183)	(1,739)	(23)	(2,275)	-	(4,220)	(10)
At 31 December 2018	764	9,400	125	12,648	-	22,937	164
Net book value							
At 31 December 2018	943	10,897	698	297	673	13,508	-
At 31 December 2017	709	10,565	311	3,737	1,065	16,387	-

Improvements and advances at the year-end relate to machinery and equipment, including advance payments.

As at 31 December 2018 the Company has impaired machinery & equipment totalling $1.35 million relating to fixed assets associated with the Lomada de Leiva and Cap-Oeste gold mines, as the Company has decided to close Lomada and put Cap-Oeste on care and maintenance. The impairment has been recognised within Other administrative costs within the consolidated statement of comprehensive income.

The decision to close Lomada and put Cap Oeste on care and maintenance has led to a reduction in the estimate of economically recoverable resources going forward, which has resulted in an acceleration of depreciation of each mine's plant at the end of the year.

15. Investment in subsidiary companies

Company

	2018 $'000	2017 $'000
Balance at 1 January	88,634	90,033
Capital contributions during the year	-	28
Impairment charge	(31,419)	(9,413)
Exchange differences	(3,530)	7,986
Balance at 31 December	53,685	88,634

The Company periodically transfers funds to its subsidiaries as capital contributions.

In accordance with IAS 36 Impairment of Assets, at each reporting date the Group assesses whether there are any indicators of impairment of non-current assets. When circumstances or events indicate that non-current assets may be impaired, these assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, and, where this is the result, an impairment is recognised. Recoverable value is the higher of value in use and fair value less costs to sell. Value in Use is estimated by calculating the present value of the future cash flows expected to be derived from the asset cash generating unit (CGU). Fair value less costs to sell is based on the most reliable information available, including market statistics and recent transactions. PGSA has been identified as CGU. This includes all tangible non-current assets, intangible exploration assets, and net current assets excluding cash.

The Directors have, with the support of a financial modelling expert, reviewed the carrying value of the parent company investment in its subsidiaries. They consider that based on the cash flow projections prepared to December 2028, and the longer-term business plan that includes an assessment of resources available and potential cash and profit generation from these resources, that the prospects for the subsidiary company operations in South America remain positive.

Due to the fact that the carrying value of investments is significantly higher than the net assets of the group, an assessment was carried out of the fair value of PGSA's CGU. A discounted cash flow of the Cap-Oeste mine's latest estimated life of mine plans, has been used to calculate the Value in Use. As a result of this review, a pre-tax impairment loss of $31.4 million (2017 $9.4m) has been recognised.

When calculating the Value In Use, certain assumptions and estimates were made. Changes in these assumptions can have a significant effect on the recoverable amount and therefore the value of the impairment recognised. Should there be a change in the assumptions which indicated the impairment, this could lead to a revision of recorded impairment losses in future periods. The key assumptions are outlined in the following table:

Assumption	**Judgements**	**Sensitivity**
Timing of cash flows	Cash flows were forecast over the expected life of Cap-Oeste mines. The life of mine plan in December 2018 forecasted mining activities to occur until December 2028, with a further two months during which stockpiles would be processed and rehabilitation costs would be incurred.	An extension or shortening of the mine life would result in a corresponding increase or decrease in impairment, the extent of which it was not possible to quantify.
Production costs	Production costs were forecast based on detailed assumptions, including staff costs, consumption of fuel and reagents, maintenance, and administration and support costs.	An increase or decrease in production costs excluding royalties of 10% would have increased/decreased the pre-tax impairment attributable by $5.879 million[1].
Gold price	Management have used a gold price of $1,200 per ounce, in line with market consensus estimates and management's own view of gold prices over the period of the Life of Mine.	A decrease or increase of 10% in the gold price assumption would have increased/decreased the pre-tax impairment recognised in the year by $11.247 million[1].
Discount rate	A discount rate of 10% (pre-tax) (2017: 10%) was used in the VIU estimation, based on estimations of Patagonia's own cost of capital, adjusted for specific risk factors related to the Cap-Oeste LoMP (liquidity risk, production risk, etc).	An increase or decrease in the discount rate of five percentage points would have decreased/increased the pre-tax impairment recognised in the year by $10.254 million[1].
Gold production	The life of mine plan was based on gold production of 171 thousand ounces equivalents for the Cap-Oeste Mine.	A 10% decrease or increase in ounces produced, compared with the life of mine gold production, would have increased/decreased the pre-tax impairment recognised in the year by $11.247 million[1].

[1] Sensitivities provided were on a 100% basis, pre-tax. 10% of the post-tax impairment would be attributed to the non-controlling interest

Details of the company's subsidiaries are below:

Company	*Country of incorporation*	*2018 Percentage shareholding*		*2017 Percentage shareholding*	*Nature of business*
Patagonia Gold S.A.	Argentina	90		90	Exploration
Minera Minamalu S.A.	Argentina	100		100	Exploration
Huemules S.A.	Argentina	100		100	Exploration
Leleque Exploración S.A.	Argentina	100		100	Exploration
Minera Aquiline S.A.U.	Argentina	100	(1)	-	Exploration
Patagonia Gold Canada Inc	Canada	100		-	Holding
Patagonia Gold Chile S.C.M.	Chile	100		100	Exploration

(1) Through Patagonia Gold Canada Inc.

16. Other receivables

Non-current assets	**Group**		**Company**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Recoverable VAT	1,097	3,735	-	-
Intercompany receivables	-	-	2,703	5,787
Allowances for doubtful debts	-	-	(2,703)	-
Other receivables	1,978	919	-	-
	3,075	4,654	-	5,787

The Directors consider the VAT receivable as at 31 December 2018 to be recoverable in full and no provision is considered necessary.

The VAT balance accumulated to date that was mostly generated from the Cap-Oeste project during the reported period will be used to apply for the reimbursement during 2019.

Intercompany receivables relate to loan advances from the parent company to PGSA up to 31 December 2018. These loans attract interest at 7% and are repayable within 2 years of date of the first disbursement. As at 31 December 2018, the Company has made a provision for impairment against these loans, the impairment has been recognised within the company statement of comprehensive income.

17. Trade and other receivables

Current assets	**Group**		**Company**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	942	491	7	17
Sale of project (COSE)	-	7,500	-	-
Intercompany receivables	-	-	23,009	9,156
Allowances for doubtful debts	-	-	(7,260)	-
Prepayments and accrued income	133	137	16	16
Recoverable VAT	3,846	6,554	44	45
	4,921	14,682	15,816	9,234

All amounts shown under 'Other receivables' are short-term.

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

The directors consider the VAT receivable as at 31 December 2018 to be recoverable in full and no provision is considered necessary. Good progress has been made during 2018 to recover VAT receivables that arose in prior years.

Intercompany receivables relate to loan advances from the parent company to PGSA ($7,260 thousand) up to 31 December 2018. These loans attract interest at 7% and are repayable within 2 years of date of the first disbursement. As at 31 December 2018 the Company has made a provision against these loans, the impairment has been recognised within the company statement of comprehensive income. Intercompany receivables relate to advances from the parent company to PGCAD ($15,749 thousand), the directors have reviewed the recoverability of these advances and confirm that they consider them to be recoverable in full.

There are no past due debtors.

18. Inventory

Inventory comprises gold held on carbon and in the pile, plus consumables, 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.

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Work in process				
Gold held on carbon	1,704	2,339	-	-
Ore stockpiles	2,842	17,564	-	-
Consumables	1,361	2,196	-	-
	5,907	22,099	-	-

Ore stockpiles at Cap-Oeste have been valued using an assumed recovery rate of 65%. Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site.

The cost of inventories recognised as an expense and included in the cost of sales amounted to $23.3 million (2017: $14.3 million).

Inventories held on carbon are expected to be sold, used or consumed within one year of the balance sheet date.

The Group has closed Lomada and put the site at Cap-Oeste into care and maintenance and therefore the carrying value has been reviewed for impairment. The net realisable value of the inventory is less than the costs incurred in establishing the ore stockpile and therefore a write down was required. The write down has been recognised within Other operating costs, $1.7 million for Lomada and $13.5 million for Cap-Oeste.

19. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Bank and cash balances	560	1,274	6	12
Short-term deposits	94	10	94	10
	654	1,284	100	22

20. Trade and other payables

Current liabilities	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade and other payables	5,071	10,112	110	30
Income tax	462	169	-	-
Intercompany payables	-	-	-	-
Short term loans	22,492	25,317	11,275	259
Other accruals	1,400	253	254	253
	29,425	35,851	11,639	542

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.

Interest rates on short term loans ranged from 3.5% to 10.5%, priority has been given to repaying those at the higher rates.

21. Loans and provisions

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Long term loans	674	2,310	-	-
Provisions	1,354	1,570	-	-
	2,028	3,880	-	-

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 USD and are at fixed rates of interest. Long-term loans are provided by Argentinian banks and are backed by a Letter of Guarantee from the Company. Interest rates on long-term loans ranged from 6.3% to 7.0%.

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:

	Reclamation and remediation provision (i) $'000	Tax provision (ii) $'000	Other (iii) $'000	Total $'000
Balance at 1 January 2018	1,408	137	25	1,570
Net additions / (reductions)	578	-	-	578
Exchange differences	(712)	(69)	(13)	(794)
Balance at 31 December 2018	1,274	68	12	1,354

(i) Reclamation and remediation provision relates to the environmental impact of works undertaken as at the balance sheet date. (Note 3)

(ii) Tax provision for withholding tax on foreign suppliers.

(iii) Provision for 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 $0.06 million (AR$2.1 million) plus interest. As at December 31 2018, 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 $12 thousand (AR$470 thousand) has been recorded.

22. Share capital

Authorised

All the Company's issued ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares. Each ordinary shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held.

Capital reorganisation

On 9 May 2018, Patagonia Gold undertook a capital reorganisation of the Company's existing ordinary share capital, reducing the number of existing ordinary shares in issue (the "Existing Ordinary Shares") by a factor of 100. Prior to the consolidation of the Company's share capital, 16 new ordinary shares were issued, so that the total number of ordinary shares were exactly divisible by the consolidation factor of 100.

The capital reorganisation consisted of: the sub-division of each Existing Ordinary Share of 1 pence each into one Interim Ordinary Share of 0.01 pence and one Deferred Share of 0.99 pence; followed by the consolidation of every 100 Interim Ordinary Shares into one new ordinary share of 1 pence (the "New Ordinary Shares"); the sale of all fractional entitlements arising on consolidation; and the buy-back of all of the Company's Deferred Shares of 0.99 pence each and subsequent cancellation of these shares.

As result of the capital reorganisation Patagonia Gold has in issue 23,634,749 New Ordinary Shares of 1 pence each in nominal value. The difference between the nominal value of the share capital prior to the capital reorganisation, of £23,634,749 ($30,096,489), and the nominal value of share capital after it, of £236,347 ($300,965), was recognised within a capital redemption reserve, being £23,398,402 ($29,795,524). The New Ordinary Shares have the same rights and benefits as the previous Existing Ordinary Shares.

After the capital reorganisation the share capital in issued is as follow:

Issued and fully paid ordinary shares of 1 pence each ($0.013)	Number of ordinary shares	Amount $'000
At 1 January 2017	1,587,749,605	19,587
Issue by placing	775,725,279	10,399
Exchange difference on translation to $	-	1,900
At 31 December 2017	2,363,474,884	31,886
At 1 January 2018	2,363,474,884	31,886
Net impact of share reorganisation	(2,339,840,135)	(31,567)
Exchange difference on translation to $	-	(18)
At 31 December 2018	23,634,749	301

On 7 December 2017, the Company issued 775,725,279 new ordinary shares of 1 pence each at a price of 1 pence per share raising $10.4 million (£7.8 million) under the terms of the Subscription and Open Offer dated 21 November 2017. The proceeds of the Subscription are included in share capital. The cost of the placement totalled $0.23 million (£0.17 million) is included in share premium.

Effects of the Capital Reorganisation on Share Options

The rules of the Share Option Plan and the terms of the Share Option Deeds provide that, in the event of any consolidation of the share capital of the Company, the number of Ordinary Shares subject to an Option and/or the exercise price payable on exercise of an Option may be adjusted by the Board in such manner as the Board may determine to be appropriate. Additionally, in the case of the Share Option Plan, any such proposed adjustment is required to be confirmed in writing by the Company's auditor (acting as experts and not as arbitrators) as being, in their opinion, fair and reasonable. Such confirmation has been obtained from the Company's auditor.

Accordingly, to reflect the Capital Reorganisation, the Board has reduced the number of shares that are subject to outstanding Options by a multiple of 100 and increase the option exercise price by the same multiple. Any fractional entitlement to shares will be rounded down. The overall amount payable by an Option holder looking to exercise his Option after the Capital Reorganisation will remain the same and the proportion of the issued share capital over which an Option is subsisting will also remain the same.

Warrants

There are no warrants outstanding at 31 December 2018 as they expired without being exercised during the previous year at the end of their four-year term.

23. Non-controlling interest

Group

	Amount $'000
At 1 January 2018	407
Share of operating losses	(1,879)
At 31 December 2018	(1,472)

On 14 October 2011, Patagonia Gold, PGSA and Fomicruz entered into the Fomicruz Agreement (Note 12). 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 profits relates to Lomada de Leiva which commenced production in 2013 and Cap-Oeste which commenced production in 2016.

24. Financial instruments

The Group and Company held the following investments in financial assets and financial liabilities:

Financial assets

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Available-for-sale financial assets	-	24	-	24
Financial assets at fair value through other comprehensive income	11	-	11	-
Trade and other receivables	4,788	14,545	25,763	9,218
Allowances for doubtful debts	-	-	(9,963)	-
Cash and cash equivalents	654	1,284	100	22
	5,453	15,853	15,911	9,264

The available for sale financial assets in 2017 have been reclassified on adoption of IFRS 9 in 2018 as the Company made the irrevocable election to account for the financial assets at fair value through other comprehensive income.

Financial liabilities

Group		Company	
2018 $'000	2017 $'000	2018 $'000	2017 $'000

Financial liabilities measured at amortised cost	28,699	37,908	11,385	289

The estimated fair values of the Group and Company's financial instruments approximate the carrying amounts.

Financial instruments measured at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The book values of cash and cash equivalents, loans and receivables, bank overdraft and trade and other payables are representative of their fair values due to the short-term nature of the instruments.

Financial assets at fair value through other comprehensive income (classified as Available-for-sale financial assets in 2017 under IAS 39) are listed equity securities denominated in GBP and are publicly traded on the AIM market. Fair values have been determined by reference to their quoted bid prices at the reporting date.

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**
	$'000	**$'000**	**$'000**	**$'000**
As at 31 December 2018				
Listed securities	11	-	-	11
As at 31 December 2017				
Listed securities	24	-	-	24

There have been no transfers between Levels 1 and 2 in the reporting periods.

Risks and uncertainties

Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to fund projects from raising capital from equity placements rather than long-term borrowings;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders in the future when new or existing exploration assets are taken into production.

These objectives will be achieved by maintaining and adding value to existing extraction projects and identifying new exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Group's means.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. Capital for the reporting periods under review is summarised in the consolidated statement of changes in equity.

The Group sets the amount of capital in proportion to its overall financing structure (i.e. equity and financial liabilities). The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders in the future, return capital to shareholders or issue new shares.

Market risk, including commodity price, foreign currency and interest rate risks
Market risk is the risk that changes in market factors, such as commodity prices, will affect the Group's income or the value of its financial instruments.

Gold price
The market price of gold is one of the most significant factors in determining the profitability of the Group's operations. The price of gold is subject to volatile price movements over short periods of time, especially in the current market environment, and is affected by numerous industry and macro-economic factors that are beyond the Group's control. In 2018 the price ranged from $1,176 to $1,360 per ounce, with an average market price of $1,268 per ounce (2017: $1,257 per ounce). The Group's policy is to sell gold at prevailing market prices. No financial instruments have exposure to gold prices.

The table below summarises the impact of changes in the market price on gold. The impact is expressed in terms of the resulting change in the Group's profit after tax for the year or, where applicable, the change in equity. The sensitivities are based on the assumption that the market price changes by 10% with all other variables held constant. The impact of a similar change in silver is not material to the Group's profit after tax.

Gain/loss associated with 10% increase/decrease from year-end price

	2018 $'000	2017 $'000
Gold		
	5,588	3,170

Foreign currency risk - The Group undertakes transactions principally in GBP, $ and AR$. While the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risk

The presentational currency of the Group is $. The functional currency of Patagonia Gold is GBP. As at 31 December 2018, Patagonia Gold held cash balances denominated in GBP, $ and Canadian dollars ("CAD") and had trade and other payables denominated in GBP, CAD, AUD and $.

The functional currency of the Argentinian Subsidiaries is the AR$. As at 31 December 2018, PGSA held cash balances denominated in AR$, $, CAD and GBP.

Financial assets and liabilities held by group companies in currencies other than the particular company's functional currency are subject to foreign currency risk. During the year ended 31 December 2018, the GBP/$ exchange rate experienced a fluctuation of 14% from its lowest to highest levels. Based on $ financial assets and liabilities at 31 December 2018 held by companies whose functional currency is other than $, if the $ weakened/strengthened by 10% against the functional currency exchange rate of each Group company at 31 December 2018, and all other variables held constant, this would have the following impact on the Group's net loss for the year:

Foreign currency rate weakened

	2018 $'000	2017 $'000
(Decrease) / Increase in net loss / profit for the year	1,947	664

Foreign currency rate strengthened

	2018 $'000	2017 $'000
Decrease / (increase) in net loss / profit for the year	1,947	544

The impact of the above analysis on CAD, AUD and AR$ against the functional currency is not material.

The increase or decrease in net loss is determined in the functional currency but disclosed in the presentational currency. Exposures to foreign exchange rates vary during the year throughout the normal course of the Group's business. The above analysis is considered to be representative of the Group's exposure to currency risk.

Interest rate risk - The Group utilises cash deposits at variable rates of interest for short-term periods, depending on cash requirements. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The level of finance income does not significantly affect the results of the Group.

Interest earning balances were held in GBP and $. The weighted average interest rate for GBP was 0.2% (2017: 0.05%) and for $ was 0.7% (2017: 0.45%). If interest rates in 2018 had been 10% higher or lower with all other variables held constant, the impact on net profit for the year would not have been material on the finance income recorded during 2018.

Liquidity risk - In common with many exploration companies, the Company raises finance for its exploration and development activities in discrete tranches to finance its activities for limited periods only. Further funding is raised as and when required. The Group's policy continues to be to ensure that it has adequate liquidity by careful management of its working capital. See Note 2 for further details on management's response to managing the Group and Company's working capital.

Credit risk - Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group does not hold collateral as security.

Credit risk from balances with banks and financial institutions is managed by the Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

The Directors review counterparty credit limits on a regular basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments.

25. 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:

Group and Company

	2018 $'000	2017 $'000
Operating leases which expire:		
Within one year	131	116
Within two to five years	14	110
After five years	-	-
	145	226

The Group has a number of operating lease agreements involving office and warehouse space with maximum terms of three years. No operating lease payments were recognised as an expense within exploration costs in either 2018 or 2017.

26. *Related parties*

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

	Notes	2018 $'000	2017 $'000
Agropecuaria Cantomi S.A.	(i)	66	92

(i) During the year 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.

Details of Directors' and key management personnel remuneration are presented in Note 9.

27. *Share-based payments charge*

The Group operate 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:

	2018 Weighted average exercise price pence	2018 Weighted average exercise price $	2018 Number of options	2017 Weighted average exercise price pence	2017 Weighted average exercise price $	2017 Number of options
Outstanding at the beginning of the year	8.01	0.108	171,808,000	14.01	0.171	93,508,000
After Capital reorganization (1)	**800.58**	**10.80**	**1,718,080**	-	-	-
Granted during the year	-	-	-	1.00	0.013	80,000,000
Exercised during the year	-	-	-	-	-	-
Lapsed during the year	800.00	10.19	(11,250)	8.65	0.117	(1,700,000)
Outstanding and exercisable at the end of the year	800.58	10.19	1,706,830	8.01	0.108	171,808,000

(1) See Note 22

Options outstanding at 31 December 2018 have an exercise price in the range of $1.27 (100p) per option to $78.95 (6,200p) per option and a weighted average contractual life of 5.88 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.

	2018	2017
Weighted average share price	1.025p ($0.014)	1.025p ($0.014)
Exercise price	1.000p ($0.013)	1.000p ($0.013)
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	23.57%	23.57%
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 equity settled and there are no performance conditions attached to the options.

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

	2018 $'000	2017 $'000
New options Granted in the year	-	16
Part vested options granted in prior periods	190	26
	190	42

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

The total number of options over ordinary shares outstanding at 31 December 2018 after the capital reorganization (see Note 22) was as follows:

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
9 June 2009	Employees	11,750	1,200	0.94
23 June 2009	Directors and senior management	179,130	1,225	0.98
17 June 2010	Directors and employees	58,500	1,500	1.97

1 August 2010	Employee	3,000	1,500	2.09
10 February 2011	Directors	55,000	1,100	2.62
21 February 2011	Senior management	8,000	1,100	2.65
9 May 2011	Employees	5,000	4,350	2.86
13 May 2011	Directors and senior management	44,000	1,100	2.87
24 May 2011	Senior management	10,000	3,900	2.90
10 June 2011	Employees	12,500	1,100	2.95
10 June 2011	Employees	9,250	4,000	2.95
15 August 2011	Employee	2,000	6,200	3.13
1 September 2011	Senior management	5,000	1,100	3.18
1 November 2011	Directors	7,500	1,100	3.34
1 November 2011	Directors	7,500	5,025	3.34
6 December 2011	Employee	200	5,400	3.44
31 January 2012	Directors and senior management	45,000	1,100	3.59
1 July 2012	Senior management	15,000	2,500	4.01
3 December 2012	Senior management and employees	30,000	2,275	4.43
9 January 2013	Directors	145,000	2,275	4.53
27 February 2013	Senior management	10,000	1,550	4.67
12 September 2013	Directors	7,500	1,100	5.21
19 September 2013	Director and senior manager	60,000	1,175	5.22
10 October 2013	Employees	6,000	1,175	5.28
25 July 2014	Director and senior manager	70,000	788	6.07
31 March 2015	Senior management	100,000	250	6.76
18 December 2017	Senior management	400,000	100	9.47
18 December 2017	Directors	150,000	100	9.47
18 December 2017	Employees	250,000	100	9.47
Total		1,706,830		

28. Auditor's remuneration

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Fees payable for the audit of the Company	101	91	17	15
Fees payable for the audit of the subsidiaries	37	69	-	-
Tax compliance	20	8	13	8

Fees paid to Grant Thornton UK LLP and its associates for non-audit services to the Company itself are disclosed above.

29. Financial commitments

Property, plant and equipment

During 2017, the Group entered into purchase commitments totalling $1.07 million (31 December 2018: nil) related to the purchase of heavy duty mining equipment. Commencing upon receipt of shipment, instalments are payable semi-annually over 10 semesters.

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.

30. Contingent liability

There were no contingent liabilities at either 31 December 2018 or 2017.

31. Subsequent events

The Group entered into an agreement in December 2018 to acquire four additional exploration property blocks located in the Province of Santa Cruz, Argentina, from Oroplata SA, a 100 per cent. subsidiary of Goldcorp Inc. The acquisition of four property blocks (namely, Las Mellizas, San Augustin, La Esperanza and Mancha Blanca) has been made in exchange for a 1 per cent net smelter royalty of any future production if and when the properties are put into production, on this basis no asset or liability is currently recognised.

The acquisition has been formalised post year end, upon execution of a public deed by means of which Oroplata SA transfer ownership to the tenements to Minera Minamalu SA. Such transfer is under the process of registration with the Secretary of Mines of the Province of

Santa Cruz.

Following the year end the Company reviewed the production profile for 2019 for both Cap-Oeste and Lomada. Given the expected lower production from Cap-Oeste and the lower than anticipated recoveries from Lomada, the Board took the decision to close Lomada and put Cap-Oeste on care and maintenance until a suitable solution to extract and process the high-grade underground resource from Cap-Oeste has been identified. In this regard, the Company is continuing to evaluate the options available to mine the high-grade COSE-style hypogene mineralisation which lies below the completed open pit and which is estimated to hold approximately 300,000 oz AuEq at 20g/t AuEq and treat it at a nearby facility

In February 2019, the Company announced that its largest shareholder, Cantomi, a company owned and controlled by the Company's Non-Executive Chairman, Carlos Miguens, had provided a two year US$15 million loan facility that will be utilised to fund the Company's activities going forward, while the review of the Cap-Oeste underground option is ongoing together with the Feasibility Study of its flagship Calcatreu project.

There have been no other significant subsequent events.

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