Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN U.S. DOLLARS)

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

CHAIRMAN'S INTRODUCTION

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

Carlos J Miguens
Non-Executive Chairman

September 10, 2013

Patagonia Gold Plc

OPERATIONS REPORT

Patagonia Gold Plc
Patagonia Gold Plc ("Patagonia" or the "Company") is a gold and silver mining and exploration company operating in Argentina. The Company's growth strategy aims to develop a number of projects located in the province of Santa Cruz in the southern Patagonia region of Argentina, a mineral-rich region that hosts several medium sized producing assets such as the Cerro Vanguardia Mine (AngloGold Ashanti), Manantial Espejo (Pan American Silver Corp.) and the world class Cerro Negro mine (Goldcorp Inc.) currently under development.

The Company holds, directly or indirectly through its subsidiaries or under option agreements, the mineral rights to over 220 property interests in Argentina and Chile. These include the mineral rights to 67 property interests in the province of Santa Cruz covering approximately 190,000 hectares held by the Company's 90%-owned Argentinian subsidiary, Patagonia Gold S.A. ("PGSA") and to 51 property interests covering approximately 156,000 hectares held by the 100%-owned Argentinian subsidiary Minera Minamalu S.A. ("Minamalu").

The Company's operations in Santa Cruz are managed and operated through PGSA and the land holdings in Santa Cruz include approximately 200,000 hectares acquired from Barrick Gold Corporation in 2007 and a further 100,000 hectares acquired from the Santa Cruz government's wholly-owned mining company, Fomicruz Minero de Santa Cruz Sociedad del Estado ("Fomicruz") in 2011.

Fomicruz aquired 10% of PGSA in return for the rights to explore, develop and mine 100,000 hectares of Fomicruz's prospective mining properties. Patagonia benefits from having the Santa Cruz government as a strategic partner in developing a number of PGSA's projects, including the four main properties discussed below.

Patagonia Gold's properties
The Lomada de Leiva gold project (the "Lomada Project") is located in the La Paloma property block approximately 120 kilometres to the north of the El Tranquilo property block. The Company successfully completed a heap leach trial at the Lomada Project and has now brought Lomada into production, with full ramp up scheduled to be completed by late Q3 2013.

Patagonia's flagship project is the Cap-Oeste gold and silver project (the "Cap-Oeste Project") located in the El Tranquilo property block approximately 65 kilometres southwest of the town of Bajo Caracoles in Santa Cruz. The Company's aim is to continue to expand the Cap-Oeste Project resource base and to develop the project towards production in 2016.

Two kilometres along strike from the Cap-Oeste Project is the smaller but strategically vital Cap-Oeste SouthEast Project (the "COSE Project"). The Company plans to commence development and mining of the COSE Project as a means of generating significant near-term cash flow to self-finance a sizeable portion of the development requirements for the Cap-Oeste Project.

The La Manchuria property block is located approximately 50 kilometres to the southeast of the El Tranquilo property block and hosts the La Manchuria Project. The Company also has a number of other highly prospective exploration leases within the Deseado Massif.

Several of the Company's properties host mineralisation that is not typical of epithermal vein systems. The properties are characterized by low sulphidation, epithermal style gold-silver deposits hosted within hydrothermal breccias or fault hosted breccias, with widths of up to 35 metres of Bonanza grade mineralisation being intersected. The Cap-Oeste Project falls into

OPERATIONS REPORT *continued*

this category, as does the COSE Project. Classic low sulphidation epithermal veins with high grade Au-Ag intersected within narrow steeply dipping structures characterize other properties. The diversity and varied mineralisation styles differ with regards to location within the Deseado Massif.

Since the property acquisition from Barrick Gold Corporation ("Barrick") in 2007, the Company has rapidly grown its resource base through the implementation of a thorough and aggressive exploration and development program. This includes a recent resource update for the Cap-Oeste Project on September 10, 2012 representing the fourth resource update on the flagship project since 2008. Resources delineated as at August 22, 2013 are listed in the table below.

2013 Indicated Resources

		Grade (g/t)			Metal (Oz)		
Project	**Tonnes**	**Au**	**Ag**	**AuEq**	**Au**	**Ag**	**AuEq**
Cap-Oeste	7,790,000	2.93	99.0	4.78	734,000	24,801,000	1,197,000
COSE	20,637	60.06	1933.1	96.21	39,850	1,282,582	63,835
Manchuria	425,705	2.95	135.0	4.07	40,317	1,848,211	55,684
Lomada	5,002,016	1.00	NA	NA	161,346	NA	161,346
Total Indicated					975,513	27,931,793	1,477,865

2013 Inferred Resources

		Grade (g/t)			Metal (Oz)		
Project	**Tonnes**	**Au**	**Ag**	**AuEq**	**Au**	**Ag**	**AuEq**
Cap-Oeste	2,369,000	1.52	52.5	2.5	116,000	4,001,000	191,000
COSE	13,758	60.06	1933.1	96.21	26,566	855,055	42,558
Manchuria	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682
Lomada	3,412,270	0.87	NA	NA	73,727	NA	73,727
Total Inferred					288,628	7,191,291	397,967

Table 1; 2013 resource Statement Santa Cruz Properties

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

Lomada de Leiva Project

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

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

OPERATIONS REPORT *continued*

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

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

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

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

Cap-Oeste Project

The Cap-Oeste Project is the Company's flagship project and is located within a structural corridor extending 6 kilometres from the La Pampa prospect in the northwest to the Tango prospect in the southeast. The Cap-Oeste deposit to date has an identified and delineated strike extent of 1.2 kilometres.

Since acquiring the property from Barrick in 2007, the Company has drilled 449 holes by July 31, 2013 for a total of 95,721 metres. In this time the Company has filed four Canadian National Instrument 43-101 ("NI 43-101") resource estimates, with the latest reported in September 10, 2012, when the Company announced an updated resource estimate of 1,197,000 gold equivalent ounces in the indicated category, an increase of 230,000 ounces on the previous resource update, together with a 30% increase in gold equivalent grade.

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

The Cap-Oeste mineralisation has now been intersected over a distance in excess of 1,200 metres along the Bonanza fault structure, the majority of which is concentrated within a strike length of 650 metres by 350 metres in depth and in excess of 12 metres in average true width. The thickening of the mineralisation is due to areas of dilation where two or more major structures intersect. These zones of structural complexity exhibit the most potential for future resource expansion and are now the focus of future exploration.

OPERATIONS REPORT *continued*

Metallurgical test work results were reported in February 2012 and were highly encouraging. Oxide samples recovered up to 98.8% gold and 97.5% silver, while sulphide samples returned up to 88.3% gold and 95.5% silver. Additional metallurgical test work programs are on-going and will continue throughout the pre-feasibility and feasibility study period.

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

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

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

COSE Project

The COSE Project, located two kilometres along strike from the Cap-Oeste Project, is currently scheduled to be the second project within the Company's portfolio to be developed. COSE is a fault breccia hosted quartz sulphide rich Au-Ag system hosted within the intersection of the steeply dipping COSE (extension of Bonanza) fault and cross cutting northeast and southwest trending structures. The mineralisation was discovered in early 2010 during exploration along the Bonanza fault towards Tango.

The COSE Project was previously undrilled and initial drilling results indicated that the grades intersected might lead to the delineation of a stand-alone resource for short-term development. This proved to be the case with a resource in excess of 100,000 AuEq ounces being delineated in approximately 36,000 tonnes of material. Wide low grade or diffuse zones of Ag rich low-grade Au mineralisation characterize the mineralisation outcrops at surface and within the first 130 metres vertically down dip. Below 130 metres and continuing to a currently delineated depth of 260 metres, the width of the fault hosted breccia decreases and the grade of both Au and Ag increase exponentially leading in turn to the overall resource grade being estimated in excess of 90 g/t Au Eq. The mineralised structure containing the COSE deposit remains open at depth and along strike. Future deeper drilling which is required in order to test the down dip potential of the deposit will be carried out from underground.

In 2010 the Company filed the maiden NI 43-101 resource estimate for the COSE Project. A preliminary economic assessment ("PEA") was completed to establish viability for the construction, mining and processing of the deposit. The PEA showed the project could be constructed and mined out in a 23-month period and to have very attractive financial characteristics that included a production rate of 3,600 tonnes per month at a cash cost of $167 per tonne, net revenue of $63.7 million (assuming gold price of $1,204 per ounce and Ag of $23.75 per ounce), net present value of $56.8 million at an 8% discount rate, an extraordinary internal rate of return of 870% and a payback period of only two months after the start of production.

OPERATIONS REPORT *continued*

Drilling continued in 2011/2012 and as at June 30, 2012, a total of 107 holes, including geotechnical and water monitoring totalling 22,638 metres had been completed on the COSE Project and the area directly surrounding the delineated resource. A further 10 diamond core HQ drill-holes totalling 2,475 metres were completed in the Q2-2013 program targeting the wide mineralised area between Cap-Oeste and COSE along the Bonanza corridor and at depth to the NW of the existing mineralisation.

La Manchuria Project

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

An NI 43-101 resource estimate, released in September 2010, listed Indicated Resources at 55,684 ounces of gold equivalent and Inferred Resources of 90,682 ounces. High-grade gold and silver mineralisation is open along strike to northeast and southeast.

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

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

Social and economic responsibility

Patagonia maintains a strong awareness of its responsibilities towards the environment and existing social structures.

Careful attention is given to ensure that all exploration and development work is carried out strictly within the guidelines of the relevant mining and environmental acts. Patagonia attempts, where possible, to hire local personnel and use local contractors and suppliers.

Matthew Boyes
Chief Operating Officer

September 10, 2013

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (EXPRESSED IN U.S. DOLLARS)
FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED)

Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

	Note	Six months ended June 30, 2013 (unaudited)	Six months ended June 30, 2012 (unaudited)	Year ended December 31, 2012 (audited)
Continuing operations				
Exploration costs		(5,363)	(10,062)	(14,356)
Administration costs				
Share-based payments charge	23	(160)	(2,038)	(5,284)
Other administrative costs	5	(6,932)	(3,522)	(6,472)
		(7,092)	(5,560)	(11,756)
Finance income		3,821	3,281	4,929
Finance costs		(121)	(62)	(68)
Loss before taxes		(8,755)	(12,403)	(21,251)
Income tax benefit		1,058	—	476
Loss for the period		(7,697)	(12,403)	(20,775)
Non-controlling interest		—	—	—
Other comprehensive loss				
Loss on revaluation of available-for-sale financial assets	13	(50)	(37)	(31)
Exchange loss on translation of foreign operations		(1,315)	(725)	(5,119)
Other comprehensive loss for the period		(1,365)	(762)	(5,150)
Total comprehensive loss for the period attributable to owners of the parent		(9,062)	(13,165)	(25,925)
Net loss per share				
Basic loss per share	7	$ (0.01)	$ (0.02)	$ (0.03)
Diluted loss per share	7	$ (0.01)	$ (0.02)	$ (0.03)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	Note	As at June 30, 2013 (unaudited)	As at June 30, 2012 (unaudited)	As at December 31, 2012 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 20,896	$ 9,696	$ 11,881
Mineral properties	8	8,840	9,610	8,387
Mining rights	10	3,837	3,986	3,886
Available-for-sale financial assets	13	39	84	94
Other receivables	11	11,029	8,415	8,716
		44,641	31,791	32,964
Current assets				
Deferred tax asset		1,915	—	581
Available-for-sale financial assets	13	696	3,032	—
Inventory	14	2,935	3,881	4,880
Trade and other receivables	12	319	395	625
Cash and cash equivalents	15	739	1,555	4,663
		6,604	8,863	10,749
Total assets		$ 51,245	$ 40,654	$ 43,713
LIABILITIES				
Current liabiltiies				
Bank overdraft	15	$ —	$ 11	$ —
Finance lease obligations	16	1,651	57	49
Trade and other payables	17	9,168	5,075	5,920
		10,819	5,143	5,969
Non-current liabiltiies				
Finance lease obligations	16	2,232	50	22
Long-term accruals and provisions	19	987	894	1,082
		3,219	944	1,104
Total liabilities		14,038	6,087	7,073
EQUTIY				
Share capital	20	$ 13,010	$ 12,175	$ 13,126
Share premium account		147,641	131,681	147,347
Currency translation reserve		(4)	1,086	(8,929)
Share-based payment reserve		15,310	12,494	16,222
Accumulated losses		(142,736)	(126,855)	(135,112)
Equity attributable to shareholders of the parent		33,221	30,581	32,654
Non-controlling interest		3,986	3,986	3,986
Total equity		37,207	34,567	36,640
Total liabilities and equity		$ 51,245	$ 40,654	$ 43,713

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

Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS) (UNAUDITED)

		Equity attributable to shareholders of the parent							
	Note	Share capital	Share premium account	Currency translation reserve	Share-based payment reserve	Accumulated losses	Total attributable to owners	Non-controlling interests	Total equity
At January 1, 2012		$ 11,381	$ 117,205	$ 3,349	$ 10,941	$(115,000)	$ 27,876	$ 3,986	$ 31,862
Changes in equity for first six months of 2012									
Share-based payment	23	—	—	—	2,038	—	2,038	—	2,038
Issue of share capital									
Issue by placing	20	495	11,880	—	—	—	12,375	—	12,375
Transaction costs of placing		—	(297)	—	—	—	(297)	—	(297)
Exercise of option	20	177	1,577	—	(585)	585	1,754	—	1,754
Transactions with owners		672	13,160	—	1,453	585	15,870	—	15,870
Loss for the period		—	—	—	—	(12,403)	(12,403)	—	(12,403)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets	13	—	—	—	—	(37)	(37)	—	(37)
Exchange differences on translation to dollars		122	1,316	(2,263)	100	—	(725)	—	(725)
Total comprehensive income (loss) for the period		122	1,316	(2,263)	100	(12,440)	(13,165)	—	(13,165)
At June 30, 2012		12,175	131,681	1,086	12,494	(126,855)	30,581	3,986	34,567
At January 1, 2012		$ 11,381	$ 117,205	$ 3,349	$ 10,941	$(115,000)	$ 27,876	$ 3,986	$ 31,862
Changes in equity for year ended December 31, 2012									
Share-based payment	23	—	—	—	5,284	—	5,284	—	5,284
Share-based payment on acquiring mining rights		—	—	—	—	—	—	—	—
Issue of share capital									
Issue by placing	20	1,024	23,436	—	—	—	24,460	—	24,460
Transaction costs of placing		—	(797)	—	—	—	(797)	—	(797)
Exercise of option	20	177	1,579	—	(589)	589	1,756	—	1,756
Transactions with owners		1,201	24,218	—	4,695	589	30,703	—	30,703
Loss for the year		—	—	—	—	(20,775)	(20,775)	—	(20,775)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets	13	—	—	—	—	(31)	(31)	—	(31)
Exchange differences on translation to dollars		544	5,924	(12,278)	586	105	(5,119)	—	(5,119)
Total comprehensive income (loss) for the period		544	5,924	(12,278)	586	(20,701)	(25,925)	—	(25,925)
At December 31, 2012		13,126	147,347	(8,929)	16,222	(135,112)	32,654	3,986	36,640
Changes in equity for first six months of 2013									
Share-based payment	23	—	—	—	160	—	160	—	160
Issue of share capital									
Issue by placing	20	620	8,679	—	—	—	9,299	—	9,299
Transaction costs of placing		—	(54)	—	—	—	(54)	—	(54)
Exercise of option	20	25	199	—	(123)	123	224	—	224
Transactions with owners		645	8,824	—	37	123	9,629	—	9,629
Loss for the period		—	—	—	—	(7,697)	(7,697)	—	(7,697)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets	13	—	—	—	—	(50)	(50)	—	(50)
Exchange differences on translation to dollars		(761)	(8,530)	8,925	(949)	—	(1,315)	—	(1,315)
Total comprehensive income (loss) for the period		(761)	(8,530)	8,925	(949)	(7,747)	(9,062)	—	(9,062)
At June 30, 2013		$ 13,010	$ 147,641	$ (4)	$ 15,310	$(142,736)	$ 33,221	$ 3,986	$ 37,207

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

Patagonia Gold Plc

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	Note	Six months ended June 30, 2013 (unaudited)	Six months ended June 30, 2012 (unaudited)	Year ended December 31, 2012 (audited)
Operating activities				
Net loss for the period		$ (7,697)	$ (12,403)	$ (20,775)
Adjustments for:				
Finance income	13	(3,821)	(3,281)	(4,929)
Depreciation and amortization	8,9 &10	1,066	502	1,050
Increase in available for sale financial assets		(696)	(3,032)	—
Decrease/(increase) in inventory		1,945	(1,642)	(2,641)
Increase in trade and other receivables		(2,021)	(1,914)	(2,445)
Increase in deferred tax asset		(1,320)	—	(581)
Increase in current finance lease obligations	16	1,651	57	—
(Decrease)/increase in trade and other payables		3,198	(2,167)	(1,273)
Increase in non-current finance lease obligations	16	2,232	50	—
(Decrease)/increase in long-term provisions		(116)	42	252
Share-based payments charge	23	160	2,038	5,284
Net cash used in operating activities		(5,419)	(21,750)	(26,058)
Investing activities				
Purchase of bonds		(6,258)	(7,006)	(10,527)
Proceeds from sale of bonds		9,962	10,125	15,436
Finance income		117	162	20
Purchase of property, plant and equipment		(10,918)	(2,946)	(6,059)
Additions to mineral properties		(5,914)	(1,825)	(2,255)
Proceeds from disposals of mineral properties	9	—	—	250
Proceeds from sale of gold	8	4,646	—	768
Net cash used in investing activities		(8,365)	(1,490)	(2,367)
Financing activities				
Proceeds from issue of share capital	20	9,245	12,078	23,663
Proceeds from exercise of options	20	224	1,754	1,756
Net cash from financing activities		9,469	13,832	25,419
Net (decrease)/increase in cash and cash equivalents		(4,315)	(9,408)	(3,006)
Cash and cash equivalents at beginning of year		4,663	10,946	10,946
Effects of exchange rate flucuations on cash and cash equivalents		391	6	(3,277)
Cash and cash equivalents at end of period	15	$ 739	$ 1,544	$ 4,663

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED)

The financial information on pages 9 to 12 represent the results of the parent company Patagonia Gold Plc (the "Company") and its subsidiaries, collectively known as the "Group".

1. Basis of preparation

Patagonia Gold Plc is a company registered in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. With effect from July 12, 2013 the Company delisted from the Toronto Stock Exchange.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Group's condensed consolidated interim financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). This condensed consolidated financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended December 31, 2012 were approved by the Board of Directors on April 25, 2013. These financial statements which contained an unqualified audit report under Section 495 of the Companies Act 2006, did not contain any statements under Section 498(2) or (3) of the Companies Act 2006, and have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2012. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements. There has been no change in critical accounting estimates from year-end.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Going concern

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

The Group is a gold and silver mining, exploration and development company which commenced production of gold in November 2012 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva Project. Gold production is scheduled to continue throughout the first three quarters of 2013 from the expanded existing heap leach with production from the Lomada main heap leach expected in the fourth quarter 2013.

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

3. Recent accounting pronouncements

The following IFRS standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2013 or later periods. The Company has not implemented early adoption:

- IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

- Offsetting Financial Assets and Financial liabilities (amendments to IAS 32 Financial Instruments: Presentation ("IAS 32")). These amendments clarify the meaning of the term "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

  The amendments to IFRS 7 are effective for financial years beginning on or after January 1, 2014.

- On December 16, 2011, the International Accounting Standards Board ("IASB") issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 ("IFRS 9") and IFRS 7 – "Financial Instruments" ("IFRS 7")), which amended the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7.

- IFRS 10 Consolidated Financial Statements ("IFRS 10") supersedes IAS 27 Consolidated and Separate Financial Statements ("IAS 27") and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. However the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted.

- IFRS 11 Joint Arrangements ("IFRS 11") supersedes IAS 31 Interests in Joint Ventures ("IAS 31"). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, the option of using proportionate consolidation for joint ventures under IAS 31 has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. IFRS 11 is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted.

- FRS 12 Disclosure of Interests in Other Entities ("IFRS 12") integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

The Group's management has yet to assess the impact of IFRS 13 Fair Value Measurement and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. In respect of the other standards, the Directors anticipate that their adoption in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

4. Segmental analysis

Management does not currently regard individual projects as separable segments for internal reporting purposes with the exception of the Lomada Project, which has completed the trials stage and is entering full production.

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

Net profit/(loss)

(Thousands of $)	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Argentina and Chile(1)	$ (8,142)	$ (11,019)	$ (17,195)
United Kingdom	747	(909)	(3,004)
Canada	(207)	(374)	(576)
Argentina – Lomada Project	(95)	(101)	—
	$ (7,697)	$ (12,403)	$ (20,775)

(1) Segment represents other exploration projects.

Total assets

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Argentina and Chile(1)	$ 27,795	$ 19,387	$ 20,853
Argentina – Lomada Project	20,253	12,657	16,597
United Kingdom	814	1,411	3,726
Argentina – COSE Project	2,363	7,079	2,461
Canada	20	120	76
	$ 51,245	$ 40,654	$ 43,713

(1) Segment represents other exploration projects.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

Total liabilities

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Argentina and Chile[(1)]	$ 3,565	$ 4,035	$ 3,220
Argentina – Lomada Project	9,769	1,038	3,189
United Kingdom	695	580	658
Argentina – COSE Project	—	425	2
Canada	9	9	4
	$ 14,038	$ 6,087	$ 7,073

(1) Segment represents other exploration projects.

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

(Thousands of $)	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Argentina[(1)]	$ 5,363	$ 10,062	$ 14,356

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

In 2010, the costs at the Lomada Project were capitalised from September 1, 2010 onwards and disclosed as mineral properties. See Note 8.

In 2011, the costs at the COSE Project were capitalised from March 1, 2011 onwards and disclosed as mineral properties. See Note 8.

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

5. Other administrative costs

(Thousands of $)	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
General and administrative	$ 1,906	$ 1,153	$ 2,579
Local Argentina taxes	223	300	1,195
Professional fees	398	393	1,003
Foreign exchange	1,635	269	(1,469)
PG Plc Directors remuneration	305	544	1,093
Depreciation	1,066	326	1,050
Impairment of inventory	1,339	—	—
VAT expense	9	396	618
Consultancy fees	51	141	403
	$ 6,932	$ 3,522	$ 6,472

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

6. Remuneration of Directors and key management personnel

Directors' emoluments:

(Thousands of $)	Note	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Directors fees		$ 305	$ 348	$ 699
Consultancy fees		—	35	53
		$ 305	$ 383	$ 752

In the six months ended June 30, 2013, the highest paid Director received $131 thousand (six months ended June 30, 2012: $134 thousand). This amount does not include any share-based payments charge.

Key management personnel emoluments:

(Thousands of $)	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Salaries	$ 145	$ 216	$ 434
Other compensation, including short-term benefits	206	50	828
Share-based payments charge	161	351	4,717
	$ 512	$ 617	$ 5,979

7. Loss per share

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

	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Loss after tax (Thousands of $)	$ (7,697)	$ (12,403)	$ (20,775)
Weighted average number of shares	839,943,654	746,140,603	768,164,963
Basic and diluted loss per share ($)	$ (0.01)	$ (0.02)	$ (0.03)

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

At June 30, 2013, there were 75,295,000 (June 30, 2012: 57,470,000; December 31, 2012: 76,445,000) share options and 24,705,000 warrants (June 30, 2012: Nil; December 31, 2012: 24,705,000) in issue, which would have a potentially dilutive effect on the basic profit per share in the future.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

8. Mineral properties

(Thousands of $)	Mining assets	Surface rights acquired	Assets in the course of construction	Total
Cost				
At January 1, 2012	$ 4,284	$ 3,811	$ 405	$ 8,500
Additions	93	—	2,003	2,096
Disposals	(271)	—	—	(271)
Exchange differences	(205)	(316)	(19)	(540)
At June 30, 2012	3,901	3,495	2,389	9,785
Additions	56	—	103	159
Net income from trial production	(768)	—	—	(768)
Exchange differences	(301)	(275)	(31)	(607)
At December 31, 2012	2,888	3,220	2,461	8,569
At January 1, 2013	2,888	3,220	2,461	8,569
Additions	91	—	115	206
Net expense from production	1,062	—	—	1,062
Disposals	—	—	—	—
Exchange differences	(249)	(279)	(213)	(741)
At June 30, 2013	$ 3,792	$ 2,941	$ 2,363	$ 9,096
Amortization				
At January 1, 2012	$ 81	$ —	$ —	$ 81
Charge for the period	101	—	—	101
Exchange differences	(7)	—	—	(7)
At June 30, 2012	175	—	—	175
Charge for the period	19	—	—	19
Exchange differences	(12)	—	—	(12)
At December 31, 2012	182	—	—	182
At January 1, 2013	182	—	—	182
Charge for the period	95	—	—	95
Exchange differences	(21)	—	—	(21)
At June 30, 2013	$ 256	$ —	$ —	$ 256
Net book value				
At June 30, 2012	3,726	3,495	2,389	9,610
At December 31, 2012	2,706	3,220	2,461	8,387
At June 30, 2013	3,536	2,941	2,363	8,840

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

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

Assets in the course of construction
From March 1, 2011, exploration costs on the COSE Project have been capitalised as mineral properties – assets in the course of construction, prior to the receipt of full permitting for extraction of the mineralisation.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

9. Property, plant and equipment

(Thousands of $)	Office equipment and vehicles	Machinery and equipment	Buildings	Plant	Improvements and advances	Total
Cost						
At January 1, 2012	$ 747	$ 4,883	$ 927	$ 1,880	$ —	$ 8,437
Additions	38	407	147	372	1,982	2,946
Disposals	—	(1)	—	—	—	(1)
Exchange differences	(24)	(234)	89	(90)	—	(259)
At June 30, 2012	761	5,055	1,163	2,162	1,982	11,123
Additions	5	1,020	—	—	2,123	3,148
Disposals	—	—	—	—	—	—
Exchange differences	(34)	(366)	(92)	(164)	—	(656)
At December 31, 2012	732	5,709	1,071	1,998	4,105	13,615
At January 1, 2013	732	5,709	1,071	1,998	4,105	13,615
Additions	30	5,096	42	4,122	2,212	11,502
Disposals	—	(4)	—	—	(579)	(583)
Exchange differences	(56)	(494)	(92)	(173)	(356)	(1,171)
At June 30, 2013	706	10,307	1,021	5,947	5,382	23,363
Depreciation						
At January 1, 2012	234	787	28	38	—	1,087
Disposals	—	(1)	—	—	—	(1)
Charge for the period	59	271	8	63	—	401
Exchange differences	(9)	(45)	(2)	(4)	—	(60)
At June 30, 2012	284	1,012	34	97	—	1,427
Disposals	—	—	—	—	—	—
Charge for the period	58	352	11	8	—	429
Exchange differences	(15)	(98)	(3)	(6)	—	(122)
At December 31, 2012	327	1,266	42	99	—	1,734
At January 1, 2013	327	1,266	42	99	—	1,734
Disposals	—	(4)	0	0	—	(4)
Charge for the period	59	491	11	365	—	926
Exchange differences	(27)	(132)	(4)	(26)	—	(189)
At June 30, 2013	359	1,621	49	438	—	2,467
Net book value						
At June 30, 2012	477	4,043	1,129	2,065	1,982	9,696
At December 31, 2012	405	4,443	1,029	1,899	4,105	11,881
At June 30, 2013	347	8,686	972	5,509	5,382	20,896

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

10. Mining rights

(Thousands of $)	Amount
At January 1, 2012	$ 3,986
Additions	—
Amortisation charge for the period	—
Exchange differences	—
At June 30, 2012	$ 3,986
At January 1, 2012	3,986
Additions	—
Amortisation charge for the year	(100)
Exchange differences	—
At December 31, 2012	$ 3,886
At January 1, 2013	3,886
Additions	—
Amortisation charge for the period	(49)
Exchange differences	—
At June 30, 2013	$ 3,837

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

Fomicruz contributed to PGSA certain mining rights in exchange for a 10% equity interest in PGSA. Pursuant to IFRS 2 *Share-based Payment*, the mining rights acquired have been measured by reference to the estimated fair value of the equity interest given to Fomicruz. Management has estimated the fair value of the 10% interest in PGSA acquired by Fomicruz, on or about October 14, 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.

Since mining rights were acquired by the Group in October 2011, management has not carried out a review of the carrying value to determine if there is any indication that the assets have suffered an impairment loss.

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 amortized on a straight-line basis over forty years commencing in 2012.

The consolidated financial statements of the Group include 100% of the operating losses, assets and liabilities of PGSA and do not recognise the non-controlling interest of Fomicruz, as there is no certainty that PGSA will produce revenue and pay dividends in the future in order to recover Fomicruz's share of exploration costs.

11. Other receivables

Non-current assets

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Recoverable VAT	$ 10,846	$ 8,415	$ 8,557
Other receivables	183	—	159
	$ 11,029	$ 8,415	$ 8,716

The Directors consider recoverable VAT at June 30, 2013 to be recoverable in full based on post year-end approvals set by the Mining Secretary in Argentina.

12. Trade and other receivables

Current assets

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Recharge of costs owed by Landore Resources Limited	$ 4	$ 6	$ 1
UK Recoverable VAT	24	10	24
Other receivables	160	238	460
Prepayments and accrued income	131	141	140
	$ 319	$ 395	$ 625

All trade and other receivable amounts are short-term.

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

There are no past due debtors.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

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

Available-for-sale financial assets

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

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Opening balance	$ 94	$ 120	$ 120
Loss for the period	(50)	(37)	(31)
Exchange differences	(5)	1	5
Clossing balance	$ 39	$ 84	$ 94

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

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

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

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

(Thousands of $)	Level 1	Level 2	Level 3	Level 4
As at June 30, 2013				
Listed securities	$ 39	$ —	$ —	$ —
As at June 30, 2012				
Listed securities	$ 84	$ —	$ —	$ —
As at December 31, 2012				
Listed securities	$ 94	$ —	$ —	$ —

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

During the period, the Company purchased Argentine bonds (BODEN 2015) for $3.6 million, which were transferred to its Argentine subsidiaries as capital contributions. The debt securities were treated as available-for-sale financial assets as they are quoted in active markets. Fair values have been determined by reference to their quoted bond prices at the reporting date.

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Fair value of bonds held at end of period	$ 696	$ 3,032	$ —

Finance Income

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Bank Interest	$ 117	$ 162	$ 20
Income from sale of bonds	3,704	3,119	4,909
Finance income	$ 3,821	$ 3,281	$ 4,929

14. Inventory

Inventory comprises gold held on carbon and doré bar resulting from production at the Lomada Project and is valued by reference to the costs of extraction and processing.

15. Cash and cash equivalents

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of an outstanding bank overdraft. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

16. Finance lease obligations

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Within one year	$ 1,651	$ 57	$ 49
Within two to three years	2,232	50	22
	$ 3,883	$ 107	$ 71

At June 30, 2013 PGSA had finance lease agreements for the use of a Bobcat handler and an IVECO bus for the term of 36 and 31 months, respectively together with purchase commitments with LiebherrExport AG and Volvo Construction Equipment AB. The amount of outstanding installments, split by due date is shown above.

17. Trade and other payables

Current liabilities

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Trade and other payables	$ 8,687	$ 4,675	$ 5,460
Accruals and deferred income	481	400	460
	$ 9,168	$ 5,075	$ 5,920

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

18. Overdraft facility

In March 2012, the Company entered into an overdraft facility in the amount of $3.5 million bearing interest at 2.73% per annum which continues to be available. The overdraft facility was used for the period January 2013 to April 2013, when the Company repaid the facility in full.

19. Long-term accruals and provisions

Non-current liabilities

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Long-term provisions	$ 987	$ 894	$ 1,082

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

(Thousands of $)	Reclamation and remediation provision(i)	Tax provision(ii)	Other(iii)	Total
Balance at January 1, 2013	$ 316	$ 522	$ 244	$ 1,082
Net additions	—	—	(1)	(1)
Exchange differences	(27)	(45)	(22)	(94)
Balance at June 30, 2013	$ 289	$ 477	$ 221	$ 987

(i) Reclamation and remediation provision relates to the environmental impact of works undertaken at the balance sheet date.
(ii) This amount relates to local Argentine tax provisions.
(iii) See Note 25.

20. Share capital

Authorised

1,000,000,000 ordinary shares of 1 pence each

Issued and fully paid ordinary shares of 1 pence each ($0.016)	Number of ordinary shares	Amount
At January 1, 2012	736,490,878	$ 11,381
Issue by placing	32,000,000	495
Exercise of option	11,175,000	177
Exchange difference on translation to $	—	122
At June 30, 2012	779,665,878	$ 12,175
At January 1, 2012	736,490,878	$ 11,381
Issue by placing	64,940,000	1,024
Exercise of option	11,200,000	177
Exchange difference on translation to $	—	544
At December 31, 2012	812,630,878	$ 13,126
At January 1, 2013	812,630,878	13,126
Issue by placing	41,196,687	620
Exercise of option	1,650,000	25
Exchange difference on translation to $	—	(761)
At June 30, 2013	855,477,565	$ 13,010

On March 5, 2013, the Company placed 41,196,687 new ordinary shares, each at a price of 15 pence per share ($9.4 million). The cost of these placements totalled $54 thousand (£36 thousand) resulting in net proceeds of $9.3 million (£6.1 million). $0.6 million (£0.4 million) of the net proceeds are included in share capital and the balance of $8.7 million (£5.7 million) is included in share premium.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

During the six months ended June 30, 2013, the Company allotted a total 1,650,000 new ordinary shares pursuant to the exercise of share options for total gross proceeds of $0.2 million (£0.1 million). $25 thousand (£16 thousand) of the gross proceeds is included in share capital and the balance is included in share premium. Details of the share options exercised are as follows:

Date of share issue	Numer of shares	Date options exercised
March 12, 2013	500,000	February 27, 2013
April 11, 2013	250,000	March 27, 2013
May 7, 2013	900,000	March 27, 2013

21. Operating lease commitments

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

(Thousands of $)	As at June 30, 2013	As at June 30, 2012	As at December 31, 2012
Operating leases which expire:			
Within one year	$ 111	$ 234	$ 287
Within two to five years	80	184	87
	$ 191	$ 418	$ 374

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

22. Related parties

During the period, the following transactions were entered into with related parties (see also note 18):

(Thousands of $)	Note	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Landore Resources Limited	(i)	$ 62	$ 30	$ 87
Cheyenne S.A.	(ii)	33	56	76
MB Holding S.A.	(iii)	7	6	12
Agropecuaria Cantomi S.A.	(iv)	20	26	39
Lusemana S.A.	(v)	20	19	36
El Salvador 4040 S.A.	(vi)	20	23	39

(i) During the period the Company recharged costs, consisting mainly of accommodation and travel expenses, to Landore Resources Limited (“Landore”) and there was a balance owing to the Company from Landore at June 30, 2013 of $4,134 (June 30, 2012: $5,719; December 31, 2012: $776). Landore is a related party because William H. Humphries is a Director and shareholder.

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

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

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

(v) During the period the Group paid Lusemana S.A. (“Lusemana”) for the provision of an office in Buenos Aires. Lusemana is a related party because Diego Miguens is a shareholder.

(vi) During the period the Group paid El Salvador 4040 S.A. (“El Salvador 4040”) for the provision of an office in Buenos Aires. El Salvador 4040 is a related party because Cristina Miguens is a shareholder.

23. Share-based payments

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

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

	June 30, 2013			December 31, 2012		
	Weighted average exercise price pence	$	Number of options	Weighted average exercise price pence	$	Number of options
Oustanding at the beginning of the period	23.81	$0.385	76,445,000	20.33	$0.314	64,145,000
Granted during the period	14.85	0.229	1,150,000	26.68	0.423	23,500,000
Exercised during the period	8.86	0.137	(1,650,000)	9.91	0.157	(11,200,000)
Lapsed during the period	13.65	0.211	(650,000)	0	0	0
Oustanding and exercisable at the end of the period	24.09	$0.372	75,295,000	23.81	$0.385	76,445,000

On January 9, 2013 14,500,000 share options were awarded pursuant to a Board recommendation of October 2012 and subject to performance criteria, each of which had been met by December 31, 2012. These options were included as “granted during the year ended December 31, 2012” and are therefore not in the above table.

Options outstanding at June 30, 2013 have an exercise price in the range of $0.107 (6.875p) per option to $0.984 (63.00p) per option and a weighted average contractual life of 7.11 years.

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

	Six months ended June 30, 2013	Year ended December 31, 2012
Weighted average share price	27.84p ($0.430)	33.13p ($0.535)
Exercise price	27.88p ($0.431)	33.34p ($0.539)
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	53.26%	52.61%
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).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

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

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

(Thousands of $)	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
Share-based payments charge	$ 160	$ 2,038	$ 5,284

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

The total number of options over ordinary shares outstanding at June 30, 2013 was as follows:

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
February 18, 2004	Directors	5,187,000	8.0	0.64
November 23, 2004	Senior management	500,000	14.75	1.40
June 22, 2005	Senior management and employee	150,000	7.5	1.98
December 6, 2005	Senior management	100,000	8.0	3.43
May 17, 2006	Senior management	200,000	14.5	2.88
March 1, 2007	Employees	100,000	6.875	3.67
May 23, 2007	Senior management	200,000	8.0	3.90
June 5, 2007	Director and employees	1,175,000	8.0	3.93
June 5, 2007	Employee	25,000	10.5	3.93
June 3, 2008	Director and employees	1,175,000	8.0	4.93
June 9, 2009	Employees	1,175,000	12.0	5.94
June 23, 2009	Directors and senior management	17,913,000	12.25	5.98
June 17, 2010	Directors and employees	5,850,000	15.00	6.97
August 1, 2010	Employee	300,000	15.00	7.09
February 10, 2011	Directors	5,500,000	50.00	7.12
February 21, 2011	Senior management	800,000	50.00	7.65
May 9, 2011	Employees	500,000	43.50	7.86
May 13, 2011	Directors and senior management	4,400,000	42.25	7.87
May 24, 2011	Senior management	1,000,000	39.00	9.40
June 10, 2011	Employees	2,175,000	40.00	7.95
August 15, 2011	Employee	200,000	62.00	8.13
September 1, 2011	Senior management	500,000	63.00	8.18
November 1, 2011	Directors	1,500,000	50.25	8.34
December 6, 2011	Employee	20,000	54.00	8.44
January 31, 2012	Directors and senior management	4,500,000	42.50	8.59
July 1, 2012	Senior management	1,500,000	25.00	9.00
December 3, 2012	Senior management and employees	3,000,000	22.75	9.43
January 9, 2013	Directors	14,500,000	22.75	9.53
February 27, 2013	Senior management	1,000,000	15.50	9.67
June 12, 2013	Employee	150,000	10.50	9.95

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 (UNAUDITED) *continued*

24. Financial commitments

Fomicruz Agreement

The Company will invest $5.0 million on exploration expenditures on the mining properties acquired from Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz") over a five year period. Exploration activities began in March 2013 on receipt of the Environmental Impact Assessment studies from Fomicruz.

Barrick Agreement

In March 2011, Patagonia agreed with Barrick Exploraciones Argentina S.A. and Minera Rodeo S.A. (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 property acquisition agreement with the Barrick Sellers, 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 the Barrick Sellers upon the delineation of 200,000 oz. or greater of gold or gold equivalent NI 43-101 Indicated Resource on the La Paloma Property Group.

25. Contingent liability

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. As at August 31, 2013, the claim remains partially outstanding and a provision of $0.088 million (AR$ 0.470 million) has been recorded as of June 30, 2013.

Water Department assessment

In September 2012, the Water Department of the Province of Santa Cruz imposed a $0.13 million (AR$ 0.72 million) assessment on PGSA alleging PGSA had been using water without the Water Department's authorization and delayed filing of monthly reports on volume of water used. PGSA believes the assessment is not justified and has filed an appeal. The fine has been confirmed by the Authority, while PGSA filed a petition for payment facilitation plan on May, 2013. Such petition has not been answered by the Authority so far. As at June 30, 2013 PGSA has recorded a provision for the full amount.

Patagonia Gold Plc

CORPORATE AND SHAREHOLDER INFORMATION

Directors
Carlos J. Miguens
Non-Executive Chairman

William H. Humphries
Managing Director

Gonzalo Tanoira
Finance Director

Marc J. Sale
Technical Director

Edward J. Badida
Non-Executive Director

Manuel de Prado
Non-Executive Director

Glenn Featherby
Non-Executive Director

Officers
William H. Humphries
Chief Executive Officer

Matthew Boyes
Chief Operations Officer

Nigel F. Everest
Corporate Secretary

Corporate address and registered office
15 Upper Grosvenor Street
London W1K 7PJ
Telephone 020 7409 7444
Facsimile 020 7499 8811

Company registered number
3994744

Investor relations
Barnes Communications Inc.
Toronto, Ontario
www.barnesir.com

Auditors
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

Solicitors
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Registrars and transfer agents
Computershare Investor
Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Nominated adviser
Strand Hanson Limited
26 Mount Row
London W1K 3SQ

Broker
Mirabaud Securities LLP
33 Grosvenor Place
London SW1X 7HY

Stock exchange listings
AIM: PGD

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