

# **PATAGONIA GOLD PLC**

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

**For the six months ended June 30, 2018**  
(Unaudited)

# PATAGONIA GOLD PLC

## CEO'S INTRODUCTION

I am pleased to present Patagonia Gold Plc's ("Patagonia" or the "Company") unaudited interim report for the six months ended 30 June 2018.

For the first six months, the Company recorded a gross profit of US\$12.4 million (1H2017: US\$6.8 million) as a result of higher production and improved selling prices. However, at a consolidated level, the Company reported a net loss of US\$4.4 million (1H2017: profit of US\$ 10.1 million) owing to foreign exchange losses.

Following the acquisition of the Calcatreu project in January of this year, work has concentrated on a geophysics programme to cover the main target area between the two mineralised areas - Vein 49 and Castro Sur. It was initially envisaged that the geophysics programme would be completed by the end of May 2018 but, owing to changes in scope, has been extended and will now be completed by 30 September. Drilling of the main targets is still set to commence in late September or early October depending on securing approval of the relevant permits. The Company has also been working closely with the community to introduce Patagonia Gold to its various stakeholders and has engaged the University of Rio Negro to prepare a social economic assessment of Jacobacci, the main town closest to the project. The Company believes that community support of the project is an important and essential part of being able to advance the project.

At Cap Oeste, production continued to improve during the first six months of the year and reached 23,069 oz AuEq for the period. The cash costs have benefitted from the devaluation of the Argentine Peso during the six months with the currency depreciating approximately 55%. However, inflation continues to persist and the government has had to revise its initial target of 15% and it is now likely that inflation for the year will be in the region of 30 - 40%. As planned, mining operations were suspended in early July.

The team continues to evaluate options to extract value from the high grade resource that sits below the Cap Oeste open pit. The high grade resource contains approximately 300,000 ozs AuEq at an average grade of 20 g/t. This resource continues to be an integral part of the Company's portfolio and once an option for processing has been identified, will allow the Company to repay outstanding debt and provide financial resources to further its other activities, primarily at Calcatreu.

As previously announced, we are in the process of returning to Lomada to reprocess the ore currently on the leach pad. Originally the ore from the mine at Lomada was placed directly on the heap leach without any crushing. Operating costs are expected to be low given the project will utilise existing installations with the movement of material limited to re-handling of ore on the expansion of the existing pad. It is expected that approximately 10,000 oz Au will be produced over a period of 15 months which will complement the production from Cap Oeste generating additional revenue.

In July a new Mining Secretary was appointed by the government with a view to providing further impetus to the mining sector. However, the government was obliged to introduce a series of measures to mitigate the economic problems the country is currently facing, including the reinstatement of the tax on exports that was removed in February 2016. The government announced that the export tax will be in effect until 31 December 2020. We have calculated that the tax on the dore that we produce will amount to 10% on our sales value.

Patagonia Gold has made significant progress during 2018 in terms of optimising the production process and remains confident of meeting its production guidance for the year. Despite the challenging environment, we still believe the Company has a promising future.

**Christopher van Tienhoven**

*Chief Executive Officer*

**24 September 2018**

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## OPERATIONS REPORT

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

### Company's Properties

#### Calcatreu Project

On 31 January 2018, Patagonia Gold completed the purchase of a subsidiary of Pan American Silver Corp. called Minera Aquiline Argentina S.A. which owns 100% of the Calcatreu project. Given its size and potential, Calcatreu has become the Company's flagship project. A comprehensive exploration programme commenced in May 2018 and is currently ongoing. Given that the project was last explored by Aquiline in 2007, the Company believes that there is considerable potential to expand the existing resource. A detailed summary of the work undertaken to date is covered in the Exploration section of this report.

As part of the acquisition, Patagonia Gold took on a staff of five people and acquired a full operating office in Jacobacci, the town closest to the project. Subsequently, the Company has hired additional people from the community in addition to transferring staff from some of its other projects. The Company has an active community relations programme as it believes that strong community support is an integral part of the development of the project.

#### Cap-Oeste Project

Currently, Cap-Oeste is the Company's sole producing project. Initial production at Cap Oeste in October 2016 was negatively impacted by recovery difficulties resulting from a high clay content in the ore which affected the percolation of the heap leach. In October 2017, a crushing and agglomeration circuit was installed which resolved the recovery problems and production started to ramp up to design levels. During 2018, production has continued to improve and for the first six months of the year Cap Oeste produced a total of 23,069 oz AuEq. The Company has announced a guidance of 45,000 oz AuEq for the full year 2018 and currently expects to meet this guideline.

Despite the recovery problems, the Company did not cease mining activities as the decision was taken to re-treat the material once the open pit mineable resources were exhausted. This occurred in July 2018 hence the open pit was closed and operations are currently limited to the re-handling of the ore previously stacked on the pad. Owing to the 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 obstructing the crushing equipment. It is expected that approximately 800,000 tonnes of material will be reprocessed.

Cap Oeste contains a high grade resource with approximately 300,000 ounces at 20 g/t AuEq below the base of the existing pit. It is possible to access these resources by means of an underground mine from the bottom of the open pit. The Company is currently working with a consultant to prepare a mine development plan. In the meantime, alternatives to extract value from this high grade deposit are being reviewed.

#### Lomada de Leiva Project

The Company operated the Lomada project until November 2017 when the mine and plant were put on care and maintenance. Although mining operations were suspended in May 2016, production from the ongoing leaching continued until November 2017. A total of 93,246 oz Au were produced over the project's six year life.

As previously announced, the Company intends returning to Lomada to reprocess the material placed on the heap leach. The ore from the Lomada mine was originally placed on the heap leach without crushing. The existing stockpile of material on the leach pads is estimated to be approximately 2 Mt. The Company is currently expanding the pad capacity by building a third leach pad where it will place the crushed material for irrigation. The Company expects to recover approximately 10,000 oz Au over a 15-month period. In addition to the construction of the new leach pad, the Company is also refurbishing some of the infrastructure as well as the camp facilities.

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## Exploration Update Argentina and Uruguay

Exploration during 2018 consisted mainly of regional reconnaissance, geological mapping, sampling and exploration geophysics carried out at Rio Negro, Santa Cruz and Uruguay. Exploration in Argentina has been mainly concentrated at the Calcatreu project in Rio Negro as part of the target definition programme between Vein 49 and Castro Sur areas. A drill programme is expected to begin in late September or early October depending on securing approval of the relevant permits.

Diamond and RC drilling as well as geophysical IP-PDP surveys were carried out in San Jose, Uruguay.

### Argentina

#### Calcatreu

Extensive ground magnetic and pole-dipole IP geophysical surveys (40 line-km) have been completed at the Calcatreu project, located approximately 60 km south of Ingeniero Jacobacci, Rio Negro. The project hosts a widespread system of banded low sulphidation epithermal veins, breccia and stockwork precious metal mineralisation hosted within a bimodal volcano-sedimentary sequence of Lower Jurassic age.

The exploration undertaken at Calcatreu with a view to sourcing additional ounces from the Vein 49, Nelson and Castro Sur veins, consisted of IP-PDP geophysical surveys which will allow proper target definition of potential blind mineralised veins. Drill testing of the priority targets is scheduled to start in October 2018.

Geological mapping and sampling of surrounding deposits immediately to the north and east of Vein 49 and satellite deposits will continue during 2018 in order to identify potential non-outcropping, epithermal mineralised structures.

Regional target generation in Rio Negro province has been undertaken in favourable terrains surrounding the Calcatreu project, in vast areas of the south-central Somuncura Massif. The Company is evaluating its tenement portfolio with a view to prioritising targets and potentially securing more prospective areas.

A detailed IP-PDP survey is near completion at the Calcatreu project, consisting of 17 lines totalling ca. 40 km-line, using a 25 m dipole configuration. Analysis of previous geophysical data indicates the presence of an untested, hidden dilational structure located some 1000 m east of the Castro Sur and Cancela structures, with similar strike and dimensions of neighbouring outcropping veins. Field reconnaissance and mapping of this area confirm the existence of a fault at the surface coinciding with this feature. A 5000 m drill programme to begin in late September or early October depending on securing approval of the relevant permits, is currently being designed to test this and other potentially mineralised blind structures, within the area of the present geophysical survey.

#### La Manchuria

The area is highly prospective with over 145,000 oz AuEq of JORC Code compliant Indicated and Inferred resources already delineated at La Manchuria. Geophysical data indicates that resistivity anomalies associated with known mineralisation extend beyond the area historically drilled. The trenching programme intersected several structures, resulting in anomalous Au-Ag mineralisation in quartz veins. The best intercept from trenching in the Stefania target resulted in 3.65m @ 1.24 ppm Au and 21 ppm Ag. An RC drilling programme to test these targets will be done once financial resources are available.

#### Sarita

The Sarita project, located approximately 10 km 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. Geophysical data revealed evidence of potential blind veins. Trenching results show Au-Ag values up to 2.57 ppm Au and 138 ppm Ag. A drilling proposal has been prepared and awaits financial resources.

### Uruguay

Exploration has continued on the San José project as part of the Trilogy JV. The Carreta Quemada properties cover an area of 388 km<sup>2</sup>, and Chamizo-Zona 13 covers an area of 70 km<sup>2</sup>. Both are located on the sparsely explored San José Greenstone Belt within the early Proterozoic Piedra Alta Terrane, approximately 100 kilometres from Montevideo.

IP surveys and geological mapping completed at the Zona 13 and Carreta Quemada prospect have defined a regional shear zone, with strong geophysical characteristics (Tambo Viejo Shear Zone), and a possible source for the strong gold from panned concentrate samples.

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A first-pass diamond drilling programme was completed in early 2018 at the Carreta Quemada prospect. A regional structural control for gold mineralisation has been identified.

## San José, Carreta Quemada

Carreta Quemada lies at the confluence of three sets of structural trends:

- E-W folded stratigraphy and early foliation(s) with abundant quartz-sulphide veins and likely main phase Au-As enrichment;
- a zone of strong N-S-striking deformation and foliation development with alignment and deformation of early gold-bearing quartz-sulphide veins and sulphide stringers into this fabric, with remobilization of sulphides and possible partly concentration of gold; and
- irregular, fault-related, NW-striking retrograde deformation associated with magnetic depletion, not related to gold.

The geochemical and geophysical surveys have identified an initial NNW trending target area with dimensions of approximately 1,000 metres x 400 metres, coincident with a regional NNW-striking. In this area, Pole-Dipole lines showed strong anomalies closely associated with soil geochemical anomalies.

The E-W early shear zones and gold shoots typical of Zone 13 have been truncated and folded by the NS foliation at Carreta Quemada, resulting in local attenuation of the gold into N-S fold limbs, and preservation also as irregular fold hinge zones. Targets in this regional context relate to the intersection of favourable stratigraphy and shearing. The veins are ubiquitously deformed by the NS foliation at Carreta Quemada. The NS structures most likely strongly remobilised gold in the N-S striking Carreta Quemada corridor. The scale of remobilisation may locally have been enough to generate significant shoots with NS-related geometries, i.e. subvertical shoots along fold hinges.

The gold association with arsenic is manifest as disseminated and selvage-related arsenopyrite around veins both folded by, and aligned within, the N-S striking fabric. Gold is shown as small grains in the immediate selvage zone of quartz ± pyrite ± quartz, carbonate veins.

Local targets at Carreta Quemada in the strongly foliated zone may be complexly folded remnants but are likely to broadly follow the km-scale trend; outside this zone they may be more laterally extensive, E-W striking mineralisation.

Drilling at Carreta Quemada consisted of 3 holes for a total of 486 m. It was designed to test underneath trench CQTR002 to assess gold mineralisation found at surface (40m @ 1.2 ppm Au), and to drill test the prospective NNW trending corridor from trench CQTR002 to near 0.9 km to the southeast direction. Significant intercepts from this drilling campaign are related with structures located between 40 m (DW002: 1m @ 1.51 ppm Au) and 75m depth (DW001: 1.3m @ 2.10 ppm Au and 1m @ 3.9 ppm Au), having 1m width average. Further trenching and drilling at Carreta Quemada, to be carried out before the year end, will expand the exploration potential to the north and south of the positive results obtained in hole DW001, and along the NS corridor.

## San José, Chamizo - Zona 13

The Zona 13 prospect was defined by a strong, multi-sample panned concentrate Au anomaly defined during stream sediment sampling, located adjacent to an E-W striking intense IP chargeability high and resistivity low. The E-W trending shear zones and gold shoots around Zone 13 host veins forming part of the ~ E-W striking fabric and are overprinted by younger folds and crenulations. These E-W structures contain the gold, and is the most important gold event in the area. Gold is also associated with disseminated arsenopyrite in and around deformed felsic layers. Mineralisation is hosted within a steeply dipping to sub-vertical shear zone up to 40 metres wide located at the contact between felsic rocks and greenschist facies metandesite schists and intercalated metasediments. Mineralisation manifests as quartz-chlorite-sericite-carbonate-pyrite-arsenopyrite altered graphitic schist, with mylonites, cataclasites and breccias reflecting both brittle and ductile deformation. 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 122.5 m. 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 ppm Au (incl. 2m @ 4ppm Au), and 13m @ 2.07 ppm Au (incl. 2m @ 4.3 ppm /au and 2m @ 4.8 ppm Au). The area remains open both to the East

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and to the West. Further exploration will continue during the rest of 2018 and will consist of trenching and follow-up RC drilling designed to test the strike continuation of the found mineralisation.

## Colla Prospect, Zona 10

Ground magnetic and IP surveys at Colla prospect indicate a 2.2 km long anomalous corridor coincident with known mineralisation. Pole-Dipole IP lines revealed a coherent strong chargeability anomaly directly beneath an outcrop grading 14.7 ppm Au. Previous trenching (Trench COATR-002) returned 8 m at 1.93 ppm Au. Geochemical results from regional pan concentrate sampling show anomalous samples from Colla (15.48 ppm Au) and Zona 10 (9.3 ppm Au). Exploration continues and further target definition will support a drill programme.

## Reserves and Resources

The JORC Code compliant resources delineated as at 31 December 2017 are listed in the table below:

<b>Gross Resources (PGSA-Fomicruz)</b>							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq <sup>2</sup>
Cap-Oeste <sup>3</sup>	1,914,000	2.89	47.84	3.58	178,000	2,944,000	220,000
<b>TOTAL Measured</b>	<b>1,914,000</b>	<b>2.89</b>	<b>47.84</b>	<b>3.58</b>	<b>178,000</b>	<b>2,944,000</b>	<b>220,000</b>
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq <sup>2</sup>
Calcatreu	8,816,000	2.43	23.78	2.75	690,000	6,740,000	778,000
La Manchuria	425,705	2.95	135	4.07	40,380	1,848,211	55,684
Cap-Oeste <sup>3</sup>	10,555,741	2.07	62.85	2.97	701,842	21,330,265	1,009,008
Lomada <sup>1</sup>	4,000,465	0.48	NA	NA	61,919	NA	61,919
<b>TOTAL Indicated</b>	<b>23,797,911</b>	<b>1.95</b>	<b>39.10</b>	<b>2.49</b>	<b>1,494,141</b>	<b>29,918,476</b>	<b>1,904,611</b>
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq <sup>2</sup>
Calcatreu	7,571,000	1.41	14.12	1.59	343,000	3,438,000	388,000
La Manchuria	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682
Cap-Oeste <sup>3</sup>	4,894,752	1.37	34.74	1.87	215,396	5,466,624	294,126
Lomada <sup>1</sup>	3,412,270	0.672	NA	NA	73,726	NA	73,726
<b>Total Inferred</b>	<b>17,347,042</b>	<b>1.26</b>	<b>20.15</b>	<b>1.52</b>	<b>704,457</b>	<b>11,239,860</b>	<b>846,534</b>

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Net Attributable Resources (PGSA)							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq <sup>2</sup>
Cap-Oeste <sup>3</sup>	1,723,000	2.89	47.84	3.58	160,000	2,649,000	198,000
<b>TOTAL Measured</b>	<b>1,723,000</b>	<b>2.89</b>	<b>47.84</b>	<b>3.58</b>	<b>160,000</b>	<b>2,649,000</b>	<b>198,000</b>
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq <sup>2</sup>
Calcatreu	8,816,000	2.43	23.78	2.75	690,000	6,740,000	778,000
La Manchuria	383,135	2.95	135	4.07	36,342	1,663,390	50,116
Cap-Oeste <sup>3</sup>	9,500,167	2.07	62.85	2.97	631,658	19,197,239	908,108
Lomada <sup>1</sup>	3,600,419	0.48	NA	NA	55,727	NA	55,727
<b>TOTAL Indicated</b>	<b>22,299,721</b>	<b>1.97</b>	<b>38.50</b>	<b>2.50</b>	<b>1,413,727</b>	<b>27,600,629</b>	<b>1,791,951</b>
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq <sup>2</sup>
Calcatreu	7,571,000	1.41	14.12	1.59	343,000	3,438,000	388,000
La Manchuria	1,322,118	1.53	49.4	1.92	65,102	2,101,712	81,614
Cap-Oeste <sup>3</sup>	4,405,277	1.37	34.74	1.87	193,857	4,919,962	264,714
Lomada <sup>1</sup>	3,071,043	0.672	NA	NA	66,353	NA	66,353
<b>Total Inferred</b>	<b>16,369,438</b>	<b>1.27</b>	<b>19.87</b>	<b>1.52</b>	<b>668,312</b>	<b>10,459,674</b>	<b>800,681</b>

<sup>1</sup> Lomada resource has not been depleted during 2017 and 2018 to take account of production during the period.

<sup>2</sup> AuEq oz were calculated on the prevailing Au:Ag ratio at the date of publishing of the JORC/43-101 compliant resource reports for the individual projects

<sup>3</sup> Cap-Oeste resources have been depleted for mining up to the end of December 2017

# COSE resource removed due to disposal

# The Company holds a 90% interest in PGSA, with the remaining 10% being held by the Santa Cruz government's wholly-owned mining company, Fomento Minero de Santa Cruz Sociedad del Estado ("FOMICRUZ"). The net attributable resource shows the 90% of the Cap-Oeste resource that is attributable to the Company.

**Christopher van Tienhoven**

*Chief Executive Officer*

**24 September 2018**

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## Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2018  
(Unaudited)

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## Condensed Consolidated Interim Statement of Comprehensive Income

		Six months ended	Six months ended	Year ended
	Note	30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
		\$'000	\$'000	\$'000
<b>Continuing operations</b>				
Revenue		28,311	12,847	31,899
Cost of sales		(15,945)	(6,006)	(16,711)
<b>Gross profit</b>		<b>12,366</b>	<b>6,841</b>	<b>15,188</b>
Project sale		-	15,000	15,000
Project cost of sale		-	(1,048)	(996)
<b>Gain on sale of project</b>		<b>-</b>	<b>13,952</b>	<b>14,004</b>
Exploration costs		(1,086)	(1,056)	(2,643)
Administration costs				
Share-based payments charge	23	(105)	(16)	(42)
Other administrative costs	5	(4,318)	(6,100)	(14,004)
Profit from operations		6,857	13,621	12,503
Finance income		91	43	104
Finance costs		(13,066)	(1,230)	(2,460)
<b>(Loss) / Profit before taxes</b>		<b>(6,118)</b>	<b>12,434</b>	<b>10,147</b>
Income tax benefit/(charge)		1,710	(2,286)	(2,010)
<b>(Loss) Profit for the period</b>		<b>(4,408)</b>	<b>10,148</b>	<b>8,137</b>
Attributable to non-controlling interest	20	(440)	1,003	830
Attributable to equity share owners of the parent		(3,968)	9,145	7,307
		(4,408)	10,148	8,137
<b>Other comprehensive income (loss)</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
(Loss) / Gain on revaluation of available-for-sale financial assets		(9)	(1)	(9)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange loss on translation of foreign operations		(5,712)	(1,241)	(3,140)
<b>Other comprehensive loss for the period</b>		<b>(5,721)</b>	<b>(1,242)</b>	<b>(3,149)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>(10,129)</b>	<b>8,906</b>	<b>4,988</b>
<b>Total comprehensive income / (loss) for the period attributable to:</b>				
Non-controlling interest		(440)	1,003	830
Owners of the parent		(9,689)	7,903	4,158
		(10,129)	8,906	4,988
<b>Net (loss) / profit per share</b>	7			
Basic (loss) / profit per share		(0.168)	0.006	0.004
Diluted (loss) / profit per share		(0.157)	0.006	0.004

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

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## Condensed Consolidated Interim Statement of Financial Position

		As at	As at	As at
	Note	30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
		\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	10,881	17,565	16,387
Mineral properties	8	6,155	9,694	8,925
Mining rights	10	17,029	3,438	3,388
Available-for-sale financial assets	13	16	32	24
Other receivables	11	1,862	4,396	4,654
Deferred tax asset		3,464	1,782	2,071
		39,407	36,907	35,449
<b>Current assets</b>				
Inventory	14	15,540	17,998	22,099
Trade and other receivables	12	8,103	13,795	14,682
Cash and cash equivalents	15	564	809	1,284
		24,207	32,602	38,065
<b>Total assets</b>		63,614	69,509	73,514
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Short-term loans	17	29,831	27,075	25,317
Trade and other payables	17	7,462	8,847	10,534
		37,293	35,922	35,851
<b>Non-current liabilities</b>				
Long-term loans	18	1,278	5,069	2,310
Provisions	18	1,284	1,012	1,570
		2,562	6,081	3,880
<b>Total liabilities</b>		39,855	42,003	39,731
<b>EQUITY</b>				
Share capital	19	312	20,643	31,886
Share premium account		140,620	138,700	143,690
Capital redemption reserve	19	30,893	-	-
Currency translation reserve		(1,330)	8,829	300
Share-based payment reserve		15,176	14,938	15,503
Accumulated losses		(161,879)	(156,184)	(158,003)
<b>Equity attributable to shareholders</b>				
<b>of the parent</b>		23,792	26,926	33,376
Non-controlling interest	20	(33)	580	407
<b>Total equity</b>		23,759	27,506	33,783
<b>Total liabilities and equity</b>		63,614	69,509	73,514

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

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## Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

	Note	Equity attributable to shareholders of the parent								Total equity \$'000
		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	
<b>At 1 January 2017</b>		19,587	131,602	-	18,991	14,282	(165,454)	19,008	(423)	18,585
<b>Changes in equity for first six months of 2017</b>										
Share-based payment	23	-	-	-	-	16	-	16	-	16
Lapse of options		-	-	-	-	(126)	126	-	-	-
Exchange differences on translation to dollars		1,056	7,098	-	(8,920)	766	-	-	-	-
Transactions with owners		1,056	7,098	-	(8,920)	656	126	16	-	16
Profit for the period		-	-	-	-	-	9,145	9,145	1,003	10,148
<b>Other comprehensive income (loss):</b>										
Revaluation of available-for-sale financial assets		-	-	-	-	-	(1)	(1)	-	(1)
Exchange differences on translation to dollars		-	-	-	(1,242)	-	-	(1,242)	-	(1,242)
Total comprehensive income (loss) for the period		-	-	-	(1,242)	-	9,144	7,902	1,003	8,905
<b>At 30 June 2017</b>		20,643	138,700	-	8,829	14,938	(156,184)	26,926	580	27,506
<b>At 1 January 2017</b>		19,587	131,602	-	18,991	14,282	(165,454)	19,008	(423)	18,585
<b>Changes in equity for year ended 31 December 2017</b>										
Share-based payment	23	-	-	-	-	42	-	42	-	42
Issue of share capital										
Issue by placing	19	10,399	-	-	-	-	-	10,399	-	10,399
Transaction costs of placing	19	-	(231)	-	-	-	-	(231)	-	(231)
Lapse of options		-	-	-	-	(153)	153	-	-	-
Exchange differences on translation to dollars		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
<b>Other comprehensive income (loss):</b>										
Revaluation of available-for-sale financial assets		-	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to dollars		-	-	-	(3,140)	-	-	(3,140)	-	(3,140)
Total comprehensive income (loss) for the period		-	-	-	(3,140)	-	7,298	4,158	830	4,988
<b>At 31 December 2017</b>		31,886	143,690	-	300	15,503	(158,003)	33,376	407	33,783
<b>Changes in equity for first six months of 2018</b>										
Share-based payment	23	-	-	-	-	105	-	105	-	105
Lapse of options		-	-	-	-	(101)	101	-	-	-
Capital reorganization	19	(31,567)	-	31,567	-	-	-	-	-	-
Exchange differences on translation to dollars		(7)	(3,070)	(674)	4,082	(331)	-	-	-	-
Transactions with owners		(31,574)	(3,070)	30,893	4,082	(327)	101	105	-	105
Loss for the period		-	-	-	-	-	(3,968)	(3,968)	(440)	(4,408)
<b>Other comprehensive income (loss):</b>										
Revaluation of available-for-sale financial assets		-	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to dollars		-	-	-	(5,712)	-	-	(5,712)	-	(5,712)
Total comprehensive income (loss) for the period		-	-	-	(5,712)	-	(3,977)	(9,689)	(440)	(10,129)
<b>At 30 June 2018</b>		312	140,620	30,893	(1,330)	15,176	(161,879)	23,792	(33)	23,759

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

# PATAGONIA GOLD PLC

## Condensed Consolidated Interim Statement of Cash Flows

		Six months ended	Six months ended	Year ended
		30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
	Note	\$'000	\$'000	\$'000
<b>Operating activities</b>				
(Loss) profit before tax for the period		(6,118)	12,434	10,147
Adjustments for:				
Finance income	13	(91)	(43)	(104)
Finance costs		1,079	1,230	2,460
Depreciation and amortization	8,9&10	2,495	1,588	4,862
Non-cash adjustments		-	-	(384)
Gains on sale of project		-	-	(14,004)
Decrease /(increase) in inventory		6,559	(7,835)	(11,936)
Decrease /(increase) in trade and other receivables		1,871	(8,460)	(2,105)
(Increase)/decrease in deferred tax asset		(1,393)	1,971	1,682
(Decrease)/increase in trade and other payables	17	(2,848)	(2,836)	324
(Decrease)/increase in provisions	18	(286)	(40)	518
Taxes paid		(225)	-	(815)
Share-based payments charge	23	105	16	42
<b>Net cash from (used) in operating activities</b>		<b>1,148</b>	<b>(1,975)</b>	<b>(9,313)</b>
<b>Investing activities</b>				
Finance income		91	43	104
Purchase of property, plant and equipment		(1,488)	(3,944)	(5,659)
Additions to mineral properties		(497)	(271)	(1,167)
Additions to mining rights	10	(14,612)	-	-
Proceeds from disposal	12	7,500	871	7,500
<b>Net cash used in investing activities</b>		<b>(9,006)</b>	<b>(3,301)</b>	<b>778</b>
<b>Financing activities</b>				
Finance costs		(1,079)	(1,230)	(2,460)
Increase in loans	17&18	31,845	22,320	27,583
Repayment of loans	17&18	(26,194)	(16,220)	(25,169)
Proceeds from issue of share capital	19	-	-	10,399
Transaction costs of placing	19	-	-	(231)
<b>Net cash from financing activities</b>		<b>4,572</b>	<b>4,870</b>	<b>10,122</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,286)</b>	<b>(406)</b>	<b>1,587</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,284</b>	<b>735</b>	<b>735</b>
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>		<b>2,566</b>	<b>480</b>	<b>(1,038)</b>
<b>Cash and cash equivalents at end of period</b>	<b>15</b>	<b>564</b>	<b>809</b>	<b>1,284</b>

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

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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The financial information on pages 8 to 11 represent the results of the parent company Patagonia Gold Plc (“Patagonia Gold” or the “Company”) and its subsidiaries, collectively known as the “Group”.

### 1. Basis of preparation

Patagonia Gold Plc is a company registered in England and Wales. The Company’s ordinary shares are traded on the AIM market of the London Stock Exchange.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Group’s unaudited condensed consolidated interim financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). This condensed consolidated financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 12 April 2018. These financial statements which contained an unqualified audit report under Section 495 of the Companies Act 2006, with an emphasis of matter paragraph on the carrying value of investments in subsidiary companies, did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006, and have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements. There has been no change in critical accounting estimates from year-end.

### 2. Going concern

The attached financial statements are prepared on a going concern basis. Having assessed cash flow projections, the Directors are confident that Patagonia Gold is a going concern entity given the number of projects and opportunities being considered.

Patagonia Gold’s main focus of operation currently is Cap Oeste. The open pit was closed in July 2018 and the Company plans to reprocess the material previously placed on the heap leach pad to recover the gold and silver that it was unable to recover originally due to high level of clays. The intention is to crush the ore and process through the agglomerator prior to replacing on the heap leach. The Company maintains its guidance for the year of 45,000 oz AuEq and expects to continue production in 2019.

In addition, the Company is in the process of restarting operations at Loma de Leiva to reprocess the material on the heap leach pad. The ore from Lomada was originally not crushed and it is estimated that there are approximately another 10,000 ozs Au that the Company can recover by crushing the material and placing it under irrigation again over a 15-month period.

Alternatives to develop the Cap-Oeste sulphide resources by means of an underground operation continue to be analysed. The Company has conducted significant laboratory testwork to determine the best process route for the recovery of gold and silver. It is expected that in the next few months the Company will be able to firm up plans develop the mine and find an appropriate development route. The resource contains approximately 300,000 oz AuEq which could lead to a production scenario of a 5-year mine life to produce approximately 50,000 oz AuEq per year.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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In May 2017, the Company sold the COSE deposit to Pan American Silver for US\$15 million plus a 1.5% royalty. The Company has received the total consideration which was applied to reducing debt and working capital purposes. Given the existing resources the royalty on the COSE deposit represents approximately US\$2 million in revenue for the Company at current metal prices. This revenue will further assist the Company in reducing its debt position.

In January 2018, the Company completed the acquisition of the Calcatreu project from Pan American Silver for a total consideration of US\$15 million. Subsequent to the purchase, the Company announced an updated resource estimate of approximately 1.2 million ozs Au. The Company has been carrying out a geophysics programme since May 2018 which will be complete at the end of September 2018. A drilling programme of approximately 5,000 metres is expected to start at the end of September/early October subject to approval of the corresponding environmental permits. In 2019, the Company expects to update the Feasibility Study previously prepared by Snowden with a view to starting construction in 2020. The capital cost of the project will be financed through debt, equity and supplier finance. The addition of Calcatreu is a significant asset to the Company that will provide for a project of approximately 10 years with an average production rate of 60,000 to 100,000 oz Au Eq.

In addition to its existing project pipeline and as part of its ongoing strategy, Patagonia Gold is constantly reviewing opportunities to expand its business aimed at capitalising on its operating base and experience in the region.

Considering the nature of the Group's current and planned activities, the future potential opportunities available to the Group, the availability of external loan finance, and the flexibility within the plans both operationally and for cash flow purposes, the Directors have therefore concluded that the financial statements should be prepared on a going concern basis.

### 3. Recent accounting pronouncements

The following IFRS standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2018 or later periods. The Company has not implemented early adoption:

- IFRS 9 'Financial Instruments', 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;
- IFRS 15 'Revenue from contracts with customers', IFRS presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related interpretations. Management do not consider that this will have a significant impact on the Group's financial statements; and
- 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.

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

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 4. Segmental analysis

Management do not currently regard individual projects as separable segments for internal reporting purposes except for 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:

#### Net profit/(loss)

(Thousands of \$)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Argentina and Chile <sup>(1)</sup>	(14,755)	(8,763)	(17,472)
United Kingdom	(1,131)	(808)	(1,753)
Argentina – Lomada Project	-	2,497	5,356
Argentina – Cap Oeste Project	11,478	3,270	8,002
Argentina – COSE Project <sup>(2)</sup>	-	13,952	14,004
	(4,408)	10,148	8,137

(1) Segment represents other exploration projects.

(2) On 31 May 2017, the Company sold the COSE project for US\$ 15 million with costs of sale of US\$ 1.048 million.

#### Total assets

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Argentina, Uruguay and Chile <sup>(1)</sup>	24,599	8,792	13,682
Argentina - Lomada Project	1,029	1,915	1,432
United Kingdom	1,748	1,264	1,408
Argentina - COSE Project	-	7,506	7,500
Argentina – Cap-Oeste Project	36,238	50,032	49,492
	63,614	69,509	73,514

(1) Segment represents other exploration projects.

#### Total liabilities

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Argentina, Uruguay and Chile <sup>(1)</sup>	20,354	23,569	28,342
Argentina - Lomada Project	453	795	836
United Kingdom	11,591	10,359	542
Argentina - COSE Project	-	-	-
Argentina – Cap-Oeste Project	7,457	7,280	10,011
	39,855	42,003	39,731

(1) Segment represents other exploration projects.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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

(Thousands of \$)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Argentina <sup>(1)</sup>	1,003	1,056	2,393
Uruguay	83	-	250
	1,086	1,056	2,643

(1) Segment represents exploration projects other than the Lomada Project and 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 8). From 1 April 2011 certain costs are included in inventory.

From 1 January 2016 onwards, expenditures incurred at the Cap-Oeste Project are capitalised and disclosed as mineral properties – mining assets (See Note 8). From 1 October 2016 certain costs are included in inventory.

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

### 5. Other administrative costs

(Thousands of \$)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
General and administrative	2,211	2,136	4,088
Argentine statutory taxes	391	329	780
Professional fees	391	237	527
Payments under operating leases	82	56	126
Foreign currency translation loss	-	2,919	5,906
Parent and subsidiary company Directors' remuneration	134	140	277
Depreciation charge	2,445	1,538	4,762
Amortisation of mining rights	50	50	100
Depreciation allocated to inventory	(1,492)	(1,412)	(2,756)
VAT expense/(income)	79	33	35
Consultancy fees	27	74	159
	4,318	6,100	14,004



# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 6. Remuneration of Directors and key management personnel

Parent company Directors' emoluments:

(Thousands of \$)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Directors fees	24	23	45
Salaries	62	60	240
	86	83	285

In the six months ended 30 June 2018, the highest paid Director received \$62 thousand (six months ended 30 June 2017: \$60 thousand). This amount does not include any share-based payments charge.

Key management personnel emoluments:

(Thousands of \$)	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Share-based payments charge	105	18	42
Salaries	62	60	120
Other compensation, including short-term benefits	24	23	165
	191	101	327

### 7. Profit / (Loss) per share

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

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Profit after tax (Thousands of \$)	(3,968)	9,145	7,307
Weighted average number of shares <sup>(1)</sup>	23,634,749	23,634,749	23,634,749
Basic profit (loss) per share (\$)	(0.168)	0.387	0.309
Diluted profit (loss) per share (\$)	(0.157)	0.361	0.288

(1) See Note 19 – Share capital.

At 30 June 2018, there were 1,706,830 share options in issue, which would have a potentially dilutive effect on the basic earnings per share in the future. The basic and diluted earnings per share related to 30 June 2017 and 31 December 2017 were restated due to the capital reorganization performed on 9 May 2018. See note 19, Share capital.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 8. Mineral properties

(Thousands of \$)	Mining assets	Surface rights acquired	Assets in the course of construction	Total
<b>Cost</b>				
At 1 January 2017	11,796	993	905	13,694
Additions	271	-	-	271
Disposals	-	-	(871)	(871)
Exchange differences	(404)	(37)	(34)	(475)
At 30 June 2017	11,663	956	-	12,619
Additions	896	-	-	896
Disposals	-	-	-	-
Transfers	-	-	-	-
Exchange differences	(1,170)	(109)	-	(1,279)
At 31 December 2017	11,389	847	-	12,236
At 1 January 2018	11,389	847	-	12,236
Additions	300	197	-	497
Disposals	-	-	-	-
Exchange differences	(3,493)	(301)	-	(3,794)
At 30 June 2018	8,196	743	-	8,939
<b>Amortization</b>				
At 1 January 2017	1,978	-	-	1,978
Charge for the period	47	-	-	47
Exchange differences	900	-	-	900
At 30 June 2017	2,925	-	-	2,925
Charge for the period	1,783	-	-	1,783
Exchange differences	(1,397)	-	-	(1,397)
At 31 December 2017	3,311	-	-	3,311
At 1 January 2018	3,311	-	-	3,311
Charge for the period	888	-	-	888
Exchange differences	(1,415)	-	-	(1,415)
At 30 June 2018	2,784	-	-	2,784
<b>Net book value</b>				
At 30 June 2017	8,738	956	-	9,694
At 31 December 2017	8,078	847	-	8,925
At 30 June 2018	5,412	743	-	6,155

#### Mining assets

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

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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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.

### **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 additions at a cost of \$1.580 million. No fair value has been attributed to the future potential investment or earn-in at this stage, the Directors consider it to be too early to ascribe any value to this. The Directors have considered and concluded that no impairment in value is needed at 30 June 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.

### **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 \$15 million.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 9. Property, plant and equipment

(Thousands of \$)	Office equipment and vehicles	Machinery and equipment	Buildings	Plant	Improvements and advances	Total
<b>Cost</b>						
At 1 January 2017	1,213	9,844	417	9,069	1,965	22,508
Additions	13	315	-	45	3,571	3,944
Transfers	-	665	-	-	(665)	-
Disposals	-	-	-	-	-	-
Exchange differences	(31)	(371)	(16)	(341)	(74)	(833)
At 30 June 2017	1,195	10,453	401	8,773	4,797	25,619
Additions	142	1,110	-	463	-	1,715
Transfers	-	3,517	-	-	(3,517)	-
Disposals	-	-	-	-	-	-
Exchange differences	(108)	(1,075)	(45)	(994)	(215)	(2,437)
At 31 December 2017	1,229	14,005	356	8,242	1,065	24,897
At 1 January 2018	1,229	14,005	356	8,242	1,065	24,897
Additions	11	375	-	194	908	1,488
Transfers	-	23	-	-	(23)	-
Disposals	-	-	-	-	-	-
Exchange differences	(379)	(4,983)	(127)	(2,935)	(379)	(8,803)
At 30 June 2018	861	9,420	229	5,501	1,571	17,582
<b>Depreciation</b>						
At 1 January 2017	362	2,215	44	4,259	-	6,880
Disposals	-	-	-	-	-	-
Charge for the period	100	763	4	624	-	1,491
Exchange differences	(4)	(121)	(2)	(190)	-	(317)
At 30 June 2017	458	2,857	46	4,693	-	8,054
Disposals	-	-	-	-	-	-
Charge for the period	94	983	4	360	-	1,441
Exchange differences	(32)	(400)	(5)	(548)	-	(985)
At 31 December 2017	520	3,440	45	4,505	-	8,510
At 1 January 2018	520	3,440	45	4,505	-	8,510
Disposals	-	-	-	-	-	-
Charge for the period	94	966	3	494	-	1,557
Exchange differences	(150)	(1,469)	(17)	(1,730)	-	(3,366)
At 30 June 2018	464	2,937	31	3,269	-	6,701
<b>Net book value</b>						
At 30 June 2017	737	7,596	355	4,080	4,797	17,565
At 31 December 2017	709	10,565	311	3,737	1,065	16,387
At 30 June 2018	397	6,483	198	2,232	1,571	10,881

Improvements and advances relate to the development and modification of plant, machinery and equipment, including advance payments.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 10. Mining rights

(Thousands of \$)	Fomicruz Agreement <sup>(1)</sup>	Minera Aquilina Argentina Acquisition <sup>(2)</sup>	Total
At 1 January 2017	3,488	-	3,488
Additions	-	-	-
Amortisation charge for the period	(50)	-	(50)
Exchange differences	-	-	-
At 30 June 2017	3,438	-	3,438
Additions	-	-	-
Amortisation charge for the year	(50)	-	(50)
Exchange differences	-	-	-
At 31 December 2017	3,388	-	3,388
At 1 January 2018	3,388	-	3,388
Additions	-	14,612	14,612
Amortisation charge for the period	(50)	-	(50)
Exchange differences	-	(921)	(921)
At 30 June 2018	3,338	13,691	17,029

(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.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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.), 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. Patagonia Gold 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 Patagonia Gold Canada Inc. 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.

### 11. Other receivables

#### Non-current assets

	As at	As at	As at
(Thousands of \$)	30 June 2018	30 June 2017	31 December 2017
Recoverable VAT	271	3,939	3,735
Other receivables	1,591	457	919
	1,862	4,396	4,654

The Directors consider the VAT receivable as at 30 June 2018 to be recoverable in full and no provision is considered necessary.

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 12. Trade and other receivables

#### Current assets

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Other receivables	497	481	491
Sale of project (COSE)	-	7,500	7,500
FOMICRUZ <sup>(1)</sup>	-	454	-
Prepayments and accrued income	54	20	137
UK Recoverable VAT	40	3	45
ARG Recoverable VAT	7,512	5,337	6,509
	8,103	13,795	14,682

(1) See Note 10.

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.

On 30 May 2018 the Company has received the second and final payment of \$7.5 million from Pan American Silver Corp. corresponding to the sale of COSE ("Cap-Oeste Sur Este") project.

The VAT balance accumulated to date that was mostly generated from the Cap Oeste project will be used to apply for the reimbursement during 2018 and the estimated recovery time is 1st half of 2019.

### 13. Available-for-sale financial assets, finance income and Investments

#### Available-for-sale financial assets

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

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Opening balance	24	31	31
Profit (loss) for the period	(8)	1	(7)
Closing balance	16	32	24

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).

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

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

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

(Thousands of \$)	Level 1	Level 2	Level 3	Total
<b>As at 30 June 2018</b>				
Listed securities	16	-	-	16
<b>As at 30 June 2017</b>				
Listed securities	32	-	-	32
<b>As at 31 December 2017</b>				
Listed securities	24	-	-	24

### Finance Income

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Bank Interest	91	43	104
Finance income	91	43	104

### 14. 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.

### 15. Cash and cash equivalents

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Bank and cash balances	482	725	1,274
Short-term deposits	82	84	10
	564	809	1,284

### 16. Finance lease obligations

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Within one year	29,831	27,075	25,317
Within two to three years	1,278	5,069	2,310
	31,109	32,144	27,627

At 30 June 2018, PGSA had finance lease agreements for fifteen Toyota vehicles, two Ford F-400 trucks, one Sprinter passenger van and two Volvo truck.



# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 17. Trade and other payables

#### Current liabilities

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Trade and other payables	6,928	8,416	10,112
Income tax	338	276	169
Short term loans	29,831	27,075	25,317
Other accruals	196	155	253
	37,293	35,922	35,851

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

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

### 18. Long term loans and provisions

(Thousands of \$)	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Long term loans	1,278	5,069	2,310
Provisions	1,284	1,012	1,570
	2,562	6,081	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 \$ and are at fixed rates of interest. Long term loans are provided by an Argentinian bank and backed by a Letter of Guarantee from the Company.

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

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(Unaudited)

(Thousands of \$)	<b>Reclamation and remediation provision<sup>(i)</sup></b>	<b>Tax provision<sup>(ii)</sup></b>	<b>Other<sup>(iii)</sup></b>	<b>Total</b>
Balance at 1 January 2018	1,408	137	25	1,570
Net additions	273	-	-	273
Use of allowance	-	-	-	-
Exchange differences	(501)	(49)	(9)	(559)
<b>Balance at 30 June 2018</b>	<b>1,180</b>	<b>88</b>	<b>16</b>	<b>1,284</b>

- (i) Reclamation and remediation provision relate to the environmental impact of works undertaken at the balance sheet date.
- (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 \$0.11 million (AR\$2.1 million) plus interest. As at June 30 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 \$16 thousand (AR\$470 thousand) has been recorded.

## 19. Share capital

### Authorised

<b>Issued and fully paid ordinary shares of 1p each (\$0.013)</b>	<b>Number of ordinary shares</b>	<b>Amount</b>
At 1 January 2017	1,587,749,605	\$ 19,587
Exchange difference on translation to \$	-	1,056
<b>At 30 June 2017</b>	<b>1,587,749,605</b>	<b>\$ 20,643</b>
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
<b>At 31 December 2017</b>	<b>2,363,474,884</b>	<b>\$ 31,886</b>

On 9 May 2018 Patagonia Gold has approved a capital reorganisation of the Company's existing ordinary share capital, reducing the number of Ordinary Shares in issue by a factor of 100. As result of the capital reorganization Patagonia Gold has in issue 23,634,749 New Ordinary Shares of 1 pence each in nominal value. The difference between the share capital book value previous to the capital reorganization and the share capital after it was recognised as Capital redemption reserve on the Company equity. The New Ordinary Shares have the same rights and benefits as the Old Ordinary Shares. After the capital reorganization the share capital in issued is as follow:

# PATAGONIA GOLD PLC

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For the six months ended June 30, 2018

(Unaudited)

<b>Issued and fully paid ordinary shares of 1p each (\$0.013)</b>	<b>Number of ordinary shares</b>	<b>Amount</b>
At 1 January 2018	2,363,474,884	31,886
After capital reorganization	23,634,749	318
Exchange difference on translation to \$	-	(7)
At 30 June 2018	23,634,749	312

## 20. Non-controlling interest

### GROUP

(Thousands of \$)

	<i>Amount</i>
At 1 January 2018	407
Share of operating loss	(440)
At 30 June 2018	(33)

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

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

The share of operating profits (losses) relates to Lomada de Leiva which commenced production in 2013 and Cap-Oeste which commenced production in 2016.

## 21. Operating lease commitments

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

(Thousands of \$)	<b>As at 30 June 2018</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2017</b>
Operating leases which expire:			
Within one year	138	141	116
Within two to five years	51	168	110
After five years	-	-	-
	189	309	226

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

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

### 22. Related parties

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

(Thousands of \$)	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Agropecuaria Cantomi S.A.	(i)	65	39	92

- (i) During the period the Group paid Agropecuaria Cantomi S.A. ("Agropecuaria") for the provision of an office in Buenos Aires. Agropecuaria is a related party because Carlos J. Miguens, the Company's Chairman, is a director and a shareholder of Agropecuaria.

### 23. Share-based payments

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

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

	30 June 2018			31 December 2017		
	Weighted Average exercise price pence	\$	Number of options	Weighted average exercise price pence	\$	Number of options
Outstanding at the beginning of the period	8.01	0.108	171,808,000	14.01	0.171	93,508,000
<b>After Capital reorganization (1)</b>	<b>800.58</b>	<b>10.80</b>	<b>1,718,080</b>	-	-	-
Granted during the period	-	-	-	1.00	0.013	80,000,000
Exercised during the period	-	-	-	-	-	-
Lapsed during the period	800.00	10.56	(11,250)	8.65	0.117	(1,700,000)
Outstanding and exercisable at the end of the period	800.58	10.57	1,706,830	8.01	0.108	171,808,000

(1) See Note 19

Options outstanding at 30 June 2018 have an exercise price in the range of \$1.32 (100p) per option to \$81.86 (6,200p) per option and a weighted average contractual life of 6.39 years.

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

	Six months ended 30 June 2018	Year ended 31 December 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%

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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

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

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

	Six months ended	Six months ended	Year ended
(Thousands of \$)	30 June 2018	30 June 2017	31 December 2017
New options Granted in the year	-	-	16
Part vested options granted in prior periods	105	16	26
	105	16	42

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

The total number of options over ordinary shares outstanding at 30 June 2018 after the capital reorganization (see Note 19) 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		

# PATAGONIA GOLD PLC

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2018

(Unaudited)

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### 24. Financial commitments

#### *Property, plant and equipment*

During the period the Group entered into purchase commitments totalling \$0.2 million (31 December 2017: \$1.07 million) related to the purchase of one Volvo truck and four Toyota vehicles, instalments are payable to the vendor over 37 instalments.

#### *Barrick Agreement*

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

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

### 25. Contingent liability

There were no contingent liabilities at either 30 June 2018 or 31 December 2017.

### 26. Subsequent events

There have been no significant subsequent events.

# PATAGONIA GOLD PLC

## Corporate and Shareholder Information

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### **Directors**

**Carlos J. Miguens**  
*Non-Executive Chairman*

**Christopher van Tienhoven**  
*Chief Executive Officer*

**Gonzalo Tanoira**  
*Non-Executive Director*

**Manuel de Prado**  
*Non-Executive Director*

### **Officers**

**Cristian Lopez Saubidet**  
*Chief Financial Officer*

### **Registered office**

11-12 St James's Square  
London SW1Y 4LB

### **Company registered number**

3994744

### **Auditors**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2A 1AG

### **Solicitors**

Stephenson Harwood LLP  
1 Finsbury Circus  
London EC2M 7SH

### **Nominated adviser and Broker**

Strand Hanson Limited  
26 Mount Row  
London W1K 3SQ

### **Company Secretary**

Vistra Nominees (UK) Limited  
11-12 St James's Square  
London SW1Y 4LB

### **Registrars and transfer agents**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

### **Stock exchange listings**

AIM: PGD