Patagonia Gold PLC : Final Results

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Patagonia Gold

("Patagonia Gold" or the "Company")

Final Results

Patagonia Gold Plc (AIM: PGD), advanced mining exploration company with gold and silver projects in the southern Patagonia region of Argentina, announces the financial results for the year ended 31 December 2014. These results are presented in United States dollars ("$") unless otherwise stated.

2014 FINANCIAL HIGHLIGHTS

- Total revenue of $35.9 million (2013: $10.2 million) recognised from commercial production of gold.
- In November 2014, the Company raised approximately $12.9 million in equity capital before expenses to accelerate the development of the Cap-Oeste heap leach project and to explore and drill numerous prospects in close proximity to the Cap-Oeste project.
- As at 31 December 2014, the Company had approximately $5.6 million (2013: $1.0 million) in cash and cash equivalents.

2014 OPERATIONAL HIGHLIGHTS

- Total production at the Lomada mine in 2014 was 29,347 ounces of gold, exceeding the forecast target of 26,900 ounces.
- Nameplate production capacity of 3,000 ounces per month achieved during Q3 2014, with the Lomada mine seeing averaging production reach 3,131 ounces per month between August 2014 and December 2014.

Subsequent Events

- The combined Indicated and Inferred resources for Cap-Oeste, COSE, Manchuria and Lomada deposits has been increased by 213,183 ounces bringing the Company's global resources to 2,089,183 ounces of gold equivalent.

The Annual General Meeting of the Company will be held on Wednesday, 10 June 2015 at 11.00 am at The Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP.

The Annual Report for the year ended 31 December 2014 will be posted to shareholders in due course.

The Company's complete financial statements for the twelve months ended 31 December 2014 with the notes will be available on Patagonia Gold's website at www.patagoniagold.com in due course. All amounts are in US$ thousands, except share and per share amounts.

For more information, please contact:

Bill Humphries, CEO
Patagonia Gold Plc
Tel: +44 (0)20 7409 7444

David Bick / Mark Longson

Square 1 Consulting
+44 (0)20 7929 5599

Angela Hallett/James Spinney
Strand Hanson Limited
Tel: +44 (0)20 7409 3494

Jeremy Stephenson/Stewart Dickson
Cantor Fitzgerald Europe
Tel: +44 (0)20 7894 7000

Board of Directors

Carlos J. Miguens *(Chairman)* has extensive business experience in Latin America. He was President of Cerveceria & Malteria Quilmes, one of Argentina's largest brewing companies for 11 years, until its sale to Ambev. He is the President of MB Holding S.A. and a Director of a number of other companies. Carlos is a co-founder and Vice-President of A.E.A. (Asociación Empresaria Argentina). He has been the President of Patagonia Gold S.A. since its inception.

William H. Humphries *(Managing Director/Chief Executive Officer)* has been a Director of the Company since its inception and has over 40 years' experience in the mining and civil engineering industries. From January 1999 Bill was Managing Director of Brancote Holdings Plc until its acquisition by Meridian Gold Inc. in July 2002 and from 1996 to 1998 he was General Manager of Sardinia Gold Mining SpA. He is currently Chairman of Landore Resources Limited.

Gonzalo Tanoira *(Finance Director)* has been a Director of the Company since its inception. He is also a Director of S.A. San Miguel, an Argentine publicly traded lemon producer, since April 2003 and Vice President since April 2013. He was also Director and Vice-President of Avex, an Argentine poultry production company, from August 2005 to October 2010 and Director and President of La Salamandra S.A. (Argentine dairy products producer) from September 2004 to August 2011. Previously, Gonzalo worked for Bear Stearns & Co. (New York) in its investment banking division for Latin America. He was also an associate at Booz Allen & Hamilton in its Buenos Aires and Sao Paulo offices. Gonzalo holds an MBA from the Wharton School of the University of Pennsylvania.

Edward J. Badida *(Non-Executive Director)* is a Chartered Professional Accountant ("CPA") and a Chartered Accountant ("CA") with over 30 years of financial management and corporate governance experience in mining and mineral exploration companies. Ed has served as Chief Financial Officer and/or has been a board member of more than 20 public companies listed on the TSX, TSX-V and AIM. He has additionally held management positions at accounting firms PricewaterhouseCoopers and KPMG.

Manuel de Prado *(Non-Executive Director)* has more than 35 years of experience in the financial services sector. He was head of Chase Manhattan S.G.I.I.C., covering Private Banking and Asset Management in Spain and Portugal. Previously, Manuel was Managing Director for more than 15 years at Chase Manhattan Bank, in charge of Corporate Lending and Investment Banking, in Spain. Most recently he has been a Director and Partner of Oquendo Corporate S.L. in Spain, an independent financial advisory firm specialising in mergers and acquisitions and other corporate finance related transactions. Manuel has a BA in Economics and Business Administration from ICADE.

Glenn Featherby *(Non-Executive Director)* is a Chartered Accountant and has over 30 years' experience in corporate advisory services and has worked extensively in the resources sector. He began his career with KPMG in Perth and London before establishing his own accounting practice in Perth in 1997. He is currently Executive Chairman of ASX-listed Hawkley Oil and Gas Limited and Non-Executive Chairman of Forte Energy NL which is listed on both ASX and AIM. He has previously been Finance Director of AIM-listed Regal Petroleum Plc and a Non-Executive Director of Canadian and AIM-listed European Goldfields Limited.

Chairman's Statement

I am pleased to present the 2014 Annual Report of Patagonia Gold Plc ("Patagonia Gold") or the "Company").

2014 proved to be yet another turbulent year for markets however Patagonia Gold has continued to achieve corporate and production success due to its growing gold sales from the Lomada heap leach project. This income has enabled the Company to remain on-track with its plans to develop its other core gold and silver resources, as well as reduce corporate debt.

Raising equity in the current economic climate has been a challenging task for junior producers and explorers. I am pleased to say that Patagonia Gold has been successful in its most recent fund-raise in November 2014, a subscription and open offer, raising gross proceeds of approximately US$12.91 million. Under the open offer, qualifying shareholders were able to subscribe for open offer shares on the basis of 1 Open Offer share for every 10 existing ordinary shares held on the record date. This fund raise was heartily supported by existing shareholders and new subscribers, and has reaffirmed shareholder support in the Company.

Our Lomada heap leach project continues to be the primary source of income for the Company. Annual gross sales for 2014 totalled US$ 35.87 million at an average gold price of US$1,251 per ounce. Patagonia Gold has been successful in minimizing production costs thereby increasing cash generation under current market conditions.

Development works have resumed on Patagonia Gold's other core projects after a pause. Various technical studies are underway at the Cap-Oeste gold and silver project to further optimize mine and plant designs. A pre-feasibility study continues at Patagonia Gold's COSE gold and silver project. Full details of these projects are set out in the Managing Director's and Operations Report which follow.

I would like to thank the board, management and staff for their tireless efforts over the past year. Your contributions have been essential to the successful growth of the Company. Appreciation also goes to our joint venture partner Fomicruz for its continued support of Patagonia Gold S.A.'s development and exploration initiatives. Lastly, I wish to express my sincere thanks to our committed shareholders. I look forward to reporting our continued growth to you in the upcoming year.

Carlos Miguens
Non-Executive Chairman
8 April 2015

Report from the Managing Director/Chief Executive Officer

Once again Patagonia Gold has successfully achieved important production milestones in a year marked by extremely challenging financial markets for producers and explorers. A fundamental principal which governs Patagonia Gold's corporate strategy is the desire for self-sufficiency regardless of global mining conditions. This has been accomplished through earning production income from our Lomada de Leiva heap leach project ("Lomada Project"), reducing corporate debt to a manageable level and restarting our growth path towards the exploration and development of our valuable portfolio of properties in Santa Cruz.

Total production at the Lomada mine in 2014 was 29,347 ounces of gold, exceeding the forecast target of 26,900 ounces. A total of 27,868 ounces of gold were sold during 2014 at an average gross price of US$1,251 per ounce, for annual gross sales of US$35.87 million.

Lomada cash costs for the second half of 2014 were US$655 per ounce (US$775 per ounce including plant depreciation and amortisation), down from US$807 per ounce for the first half of 2014 (US$925 including plant depreciation and amortisation).

The reduction in costs reflects the increase in production from the nameplate 1,750 ounces/month to the planned 3,000 ounces/month which was achieved in late July 2014. Further improvement since has seen average monthly production reach 3,131 ounces of gold for the six months to 31st January 2015.

The original trial pad of approximately 400,000T of ore was operated intermittently throughout 2014 and continues to produce gold. The pad has now exceeded design recovery of 70% having so far produced 19,401 ounces from a total estimated contained metal content of 26,958 ounces for a recovery of 72%. Patagonia Gold now anticipates that 75% plus recovery is achievable from both pads.

Development works are well-advanced on Patagonia Gold's Cap-Oeste/COSE gold and silver projects.

Initial results from the pre-feasibility studies being carried out on the Cap-Oeste project using the heap leach process route indicate that additional oxide resources are required to make the project economically robust at current gold and silver prices. We continue to work to establish those additional resources through our exploration programmes.

Pre-feasibility study work at the COSE gold and silver project is nearing completion. Ore will be mined from a single decline access mine with the current mine plan aiming at 100% extraction of the mineable portion of the resource.

Permitting for the decline construction has already been granted. A full mining permit will be applied for once the final pre-feasibility and updated Environmental Impact Statement (EIS) are completed and have demonstrated sufficient economic robustness to move forward.

As part of the pre-feasibility studies on Cap-Oeste and COSE, resource updates have been completed on both projects to include drilling from 2012 and 2013. This resulted in the indicated ounces gold equivalent (AuEq) to be increased by 98,000 to 1,295,000 on Cap-Oeste and 19,165 to 83,000 on COSE. The combined indicated and inferred resources for the Cap-Oeste, COSE, Manchuria and Lomada deposits has been increased by 213,183 ounces bringing the Company's global resources to 2,089,183 ounces of gold equivalent.

The Company continues to see a promising long term future for the Cap-Oeste/COSE projects once conditions in mining markets have normalised. Meanwhile, we will continue to maximise free cash flow from our Lomada operations. We will also concentrate our exploration efforts on replacing resources at Lomada and continuing to grow our global resource.

Exploration is continuing on Patagonia's highly-prospective properties, most recently the El Tranquilo block. A drilling campaign commenced in Q1 2015 to test priority targets including El Calafate, Monte Leon, and Valle, as well as metallurgical drilling in the Cap-Oeste core area to identify COSE style mineralisation. Results will be announced as they are received.

In November 2014, Patagonia Gold was highly successful in raising equity via a subscription and open offer of new ordinary shares in the Company. The support received from existing shareholders and new subscribers was overwhelming, with approximately US$12.91 million raised. The success of this fund-raise signalled the continued strong support of Patagonia Gold's shareholder base, which is especially significant considering the continued turbulence in the capital markets. These funds have enabled the Company to continue essential technical studies on the Cap-Oeste and COSE projects and further explore surrounding prospective areas to build existing resources.

The Company has continued to be resilient through another year of challenging markets due to the commitment of its management, staff and technical team. Patagonia Gold will continue to achieve significant milestones in the next year, expanding upon the substantial potential of its core projects and actively developing its other prospective properties through concerted exploration efforts.

Bill Humphries
Managing Director/Chief Executive Officer
8 April 2015

Company Overview

Patagonia Gold Plc ("Patagonia Gold" 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.), San Jose mine (Hochschild) 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. The land holdings in Santa Cruz include approximately 200,000 hectares in the very prospective volcanic plateau of the Deseado Massif acquired from Barrick Gold Corporation ("Barrick") in 2007, and a further 100,000 hectares acquired from the Santa Cruz government's wholly owned mining company, Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz") in 2011.

Fomicruz obtained 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 Lomada de Leiva gold project (the "Lomada Project"), Patagonia's flagship project the Cap-Oeste gold and silver project (the "Cap-Oeste Project"), the Cap-Oeste South-East Project (the "COSE Project") and the La Manchuria property block containing the La Manchuria project (the "La Manchuria Project").

Patagonia Gold's Properties

Santa Cruz is the location of PGSA's four main properties. Cap-Oeste is the flagship project and the main focus of the Company is to bring the Cap-Oeste Project into development as a stand-alone mine. Two kilometres along strike from Cap-Oeste is the smaller but strategically vital COSE Project. The Lomada Project and La Manchuria Projects are 120 kilometres and 50 kilometres away, respectively.

The Lomada Project is located to the northwest close to Cerro Negro and the La Manchuria Project is situated within a regional corridor 50km to the southeast.

Patagonia's flagship project is the Cap-Oeste Project, located in the El Tranquilo property block approximately 65 kilometres southeast of the town of Bajo Caracoles in Santa Cruz. The Company's aim is to become a 90,000 ounce per annum gold equivalent producer from Cap-Oeste/COSE in the near term by developing the Stage 1 Cap-Oeste oxide project together with the COSE high grade underground deposit. Pre-feasibility studies are in progress on both projects.

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 exploration leases within the Deseado Massif.

Several of PGSA's properties host mineralisation that is not typical of epithermal vein systems. The properties are characterised by low sulphidation, epithermal style gold-silver deposits hosted within hydrothermal breccias or fault hosted breccias, with widths up to 35 metres of Bonanza grade mineralisation being intersected. The Cap-Oeste Project falls into this category, as does the COSE Project. Classic low sulphidation epithermal veins with high grade Au-Ag intersected within narrow steeply dipping structures characterise other properties. The diversity and varied mineralisation styles differ with regards to location within the Deseado Massif.

Since the property acquisition from Barrick in 2007, the Company has rapidly grown its resource base through the implementation of a thorough and aggressive exploration and development program.

Operations Report

Patagonia Gold's Properties

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

Patagonia's 90%-owned operating company, Patagonia Gold S.A. ("PGSA"), owns exploration and development properties that cover a total of 350,000 hectares in Santa Cruz. Of this total, approximately 200,000 hectares were acquired in 2007 when PGSA purchased Barrick Gold Corporation's ("Barrick") entire exploration property portfolio in the highly prospective volcanic plateau of the Deseado

Massif. PGSA further expanded its land position by adding 100,000 hectares when it entered into the Fomicruz Agreement in 2011. The remaining 50,000 hectares were acquired in smaller parcels.

Santa Cruz is the location of PGSA's four main properties. Cap-Oeste is the flagship project and the main focus of the Company is to bring the Cap-Oeste Project into development as a stand-alone mine. Two kilometres along strike from Cap-Oeste is the smaller but strategically vital Cap-Oeste South-East (COSE) Project. The Lomada de Leiva ("Lomada Project") and La Manchuria Projects are 120 kilometres and 50 kilometres away, respectively. The Lomada Project is located to the northwest close to Cerro Negro and the La Manchuria Project is situated within a regional corridor 50 km to the southeast.

Several of PGSA's properties host mineralisation that is not typical of epithermal vein systems. The properties are characterized by low sulphidation to high sulphidation, epithermal style gold-silver deposits hosted within hydrothermal breccias or fault hosted breccias, with widths up to 35 metres of Bonanza grade mineralisation being intersected. The Cap-Oeste Project is a medium to high sulphidation system while COSE can be classified as low to medium sulphidation. Classic low sulphidation epithermal veins with high grade gold/silver intersected within narrow steeply dipping structures characterize other properties in the region. The diversity and varied mineralisation styles differ with regards to location within the Deseado Massif.

Since the acquisition of the properties from Barrick, the Company has rapidly grown its resource base through the implementation of an aggressive exploration and development program. Gold production has also now commenced from the Lomada de Leiva asset effectively marking the transition from explorer to producer. 2014 was the first full year of production and a total of 29,347 ounces of Au were produced with a total sales revenue received for the 2014 period of US$ 35.87 million.

Patagonia has the added advantage of having the Santa Cruz government as a strategic partner. Fomicruz, a government-owned mining company, gained 10% of PGSA in return for the rights to explore, develop and mine 100,000 hectares of Fomicruz's mining properties. Patagonia Gold has benefited from this partnership with the Santa Cruz government in the development of PGSA's prospective portfolio of properties including the Lomada Project, Cap-Oeste Project, and the COSE Project.

The extensive historical exploration database, highly prospective geology, well-developed infrastructure, receptive provincial government and local workforce that understands mining make Santa Cruz an ideal location for mining exploration and development.

Global Resource:

During the year, Cube Consulting Pty Ltd ("Cube Consulting") from Perth, Western Australia was retained to complete resource updates for the Cap-Oeste and COSE Projects as part of the global pre-feasibility study package being completed for both projects. The updated resources were published on 30th March 2015.

The new global resource base for the Company is shown below:

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

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

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

Note*: The Lomada indicated resource shown above has been depleted by an estimated 71,255 ounces through mining from 2012 to 31st December 2014. A new resource update is in progress to incorporate additional drilling.*

The Company last reported global resources on 10th September 2012, with indicated resources of 1,478,000 ounces AuEq and inferred resources of 398,000ounces AuEq totalling 1,876,000 ounces of AuEq on the Cap-Oeste, COSE, Manchuria and Lomada deposits in the aggregate. All resources were estimated in accordance with JORC and NI 43-101.

Lomada de Leiva Project

The Lomada mine is located approximately 40 kilometres south-east of the town of Perito Moreno in the Province of Santa Cruz, and is within the Company's La Paloma property block, covering over 44,000 hectares.

The Lomada Project is spearheading the Company's growth strategy by being the first project from the Patagonia group of assets to begin gold production.

2014 saw the mine produce a total 29,347 ounces of gold after a mine fleet and plant expansion completed in July 2014 enabled production capacity to increase to 3,000 ounces per month. A further improvement since August 2014 has seen average monthly production reach 3,131 ounces of gold up to January 2015.

A total of 27,868 ounces of gold were sold during 2014 at an average gross price of US$ 1,251 per ounce. The net price received by Patagonia Gold after refining, royalties and sales tax was US$ 1,123 per ounce.

Lomada cash costs for the second half of 2014 were US$ 655 per ounce (US$ 775 per ounce including plant depreciation and amortisation), down from US$ 807 per ounce for the first half of 2014 (US$ 925 including plant depreciation and amortisation).

A total of 571,000T @ 2.39g/t gold for a contained metal content of 43,900 ounces of gold were added to the main pad during 2014 of which Patagonia Gold estimates that 53% of the contained gold has been leached to date.

The addition of 6 completely closed carbon columns and additional pumping capacity increased hourly pumping capacity from 60m3/hr up to 120m3/hr and gives the mine the flexibility to leach from both the trial and main heap leach pads concurrently.

The recovery achieved to date from the Lomada ore has been excellent with the trial pad having produced 72% of the originally estimated contained gold, for 26,958 ounces.The pad is still leaching and will continue to be leached and supplement the main pad production. Patagonia Gold now anticipates that 75% plus recovery is achievable from both pads.

A cut back has commenced on the final design pit shell with total material movements for 2015 scheduled to be 2,100,000T of waste and 962,000T of ore @ 1.50 g/t gold for 46,000 ounces contained gold metal.

Gold production for 2015 is forecast to be 26,900 ounces from newly added ore with an additional 4,000 ounces of production from previously stacked material bringing the total forecast production from Lomada to 30,900 ounces for 2015.

Forecast all in cash costs for Lomada are expected to remain in the range of US$ 750 to US$ 800 per ounce during Q1 and Q2 2015 with a decrease in operating costs expected in Q3 and Q4 2015 as the strip ratio decreases and the hire fleet size is reduced.

Cube Consulting has recently updated the geological model and completed a final pit design and schedule for the remainder of the Lomada project as it currently stands. With the current resources, mining is scheduled to cease in mid-2016, with irrigation and leaching of stockpiled material expected to continue for several years thereafter.

Development drilling at Lomada will commence in April 2015 with the objective to extend Lomada's active mine life. Drilling will initially concentrate on the prospective area to the immediate south of the Lomada deposit.

El Tranquilo property block:

The El Tranquilo property block, covering approximately 80,000 hectares, contains Patagonia Gold's flagship project, the Cap-Oeste deposit, together with the COSE bonanza gold and silver deposit and numerous other prospects including Monte Leon.

Cap-Oeste Project

Cap-Oeste is Patagonia Gold's flagship project. It 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 a delineated strike extent of 1.1 kilometres. Since acquiring the property from Barrick in 2007, PGSA has drilled 502 holes for a total of 102,300 metres to February 2013.

A resource update, completed by Cube Consulting and published in March 2015, incorporated holes not included in the previously published resource dated 10th September 2012.

The updated Cap-Oeste combined indicated and inferred resource contains 272,000 ounces of gold equivalent (oz AuEq) of oxide material and 1,407,000 oz AuEq of sulphide material for a total of 1,679,000 oz AuEq.

Initial studies deemed the quantity of oxide material at Cap-Oeste to be insufficient to support a CIL plant thus management decided to first investigate the possibility of adopting a heap leach processing route with low capital and operations costs similar to the Company's successful Lomada project to the north. At the same time, exploration would be aimed at proving up additional oxide resources on the El Tranquillo property to add to the Cap-Oeste resource.

Pre-Feasibility studies:

Pre-feasibility study work at Cap-Oeste has focused on the development of the project in 2 phases; the first phase being the construction of a heap leach pad and plant capable of leaching 120KT per month of agglomerated crushed oxide and COSE style high grade ore, and the second phase the construction of a plant capable of processing the refractory sulphide material.

The crushing and agglomeration circuit is designed to operate with a two-stage crushing plant including a large capacity jaw crusher followed by a double deck roll crusher capable of achieving the size reduction needed to feed the agglomeration drum. Lime/cement and cyanide will be added to the crushed ore and stacked onto the pad via means of series of transporter belts, grasshopper conveyors and a radial stacker. The pad will be stacked in three 6-metre lifts to a height of 18m over the life of mine. Initially the ore will be cured with a high cyanide dosage of 3kg/t although this is expected to drop significantly as optimization of the dosage parameters are completed during actual operation of the plant and let cure for up to 1 week before irrigation is commenced.

A two-stage irrigation cycle is planned with individual primary and intermediate leach catchment ponds/tanks installed at the plant to achieve solution separation and management. The first cycle will consist of 30 days of irrigation onto cells of 120Kt for a period of 30 days. These cells will then be left to rest for another 60 days before a second leach cycle is commenced for up to 60 days. Initial lab column test results have been extremely positive with 80% and 40% of the gold and silver extracted respectively over a 90 day period.

The first draft of the pre-feasibility study has been received and is currently being evaluated by management. Optimisation studies are continuing.

Although the studies indicate that the process route and design are well suited to the Cap-Oeste ore the current oxide ore resources are considered to be insufficient to advance the project at this stage. Further test work will be undertaken on the neighbouring high grade COSE deposit to evaluate the possibility of extracting the gold and silver through agglomeration of a gravity tails product for inclusion with the Cap-Oeste oxide ore to increase the available ounces of cyanide leachable gold and silver.

Exploration efforts are currently aimed at increasing the oxide or cyanide extractable oxide resource base.

COSE Project

In 2010 the Company filed the maiden NI 43-101 resource estimate for the COSE Project. At the same time a Preliminary Environmental Assessment ("PEA"), or scoping study, was completed to establish viability for the construction, mining and processing of the deposit.

COSE is a fault breccia hosted quartz sulphide rich gold/silver system hosted within the intersection of the steeply dipping COSE (extension of Bonanza) fault and cross cutting northeast and southwest trending structures. The mineralisation was discovered in early 2010 during exploration along the Bonanza fault towards the Tango prospect.

This resource was updated in early 2015 to include additional drilling since 2011 and reflect current metal prices. The updated resource estimate, compliant to JORC standards, contains a combined indicated and inferred resource of 69,000T @ 23.4g/t gold and 1,251g/t silver for total contained metal content of 52,000oz gold and 2,789,000oz silver making it an extremely high grade low tonnage deposit.

Process test work has continued through 2014 with the objective of optimizing the extraction of gold and silver from the COSE ore. Several different process routes have been investigated with the most prospective process involving a combination of floatation and cyanide leaching of the floated concentrate product. Test work will continue in 2015 as the project is developed in unison with the Cap-Oeste Project. Preliminary test work shows in excess of 97% gold and 98% of the continued silver will report to a concentrate and can then be leached. However filtration of the floated product proved difficult due to the fine clay within the ore body. Optimization tests will need to be completed during the year to finalise the design criteria for the plant.

Further testing will commence in Q2 2105 to agglomerate the COSE ore onto the Cap-Oeste low grade ore. If successful, this material would be loaded onto the Cap-Oeste heap leach pad, realizing a significant capital saving. Early indications from petrological and metallurgical studies are that a high level of recovery for both gold and silver could be achieved.

El Tranquilo and Regional Exploration

El Tranquilo block will form the main target area of the Company's exploration efforts for 2015. As the Cap-Oeste/COSE projects are planned to become a central processing area, a concerted effort will be made to explore the 80,000+ hectares of the El Tranquilo land package.

A series of 22 target areas have been identified over the last 3 years with mineralisation discovered at surface in trenches and rock outcrops on prospects such as Valle, Calafate, Felix and the more advanced projects such as Monte Leon and Marciana.

Exploration is planned for Lomada de Leiva, El Tranquilo and La Manchuria aimed at accomplishing the following objectives:

1) Define additional brownfields resources at Lomada de Leiva to extend mine life.
2) Discover and define incremental ounces to contribute to the El Tranquilo resource base.
3) Define incremental ounces to achieve critical mass for the La Manchuria resource and/or a stand-alone deposit at Manchuria Sur.

A combination of geochemistry, ground geophysics, and drilling will be conducted to achieve the above objectives, with exploration works commencing in Q2 2015.

A total of 18,650 metres of drilling has been planned for 2015 not including contingency drilling which will be based on success. Total budgeted costs for the planned drilling program is US$6.8 million.

The above drill program commenced in February with results pending.

Calafate and Santiago

Two areas of high prospectivity are Calafate and Santiago. During 2014, detailed mapping, ground magnetics and induced polarization studies and surface trench sampling have defined numerous targets. Both prospects are within trucking distance to the main Cap-

Oeste ore body.

Preliminary results received from the 2014 IP survey over Calafate indicate several strong and coincident IP Chargeability and Resistivity anomalies. These anomalies correlate very well with the locationof mapped structures. Drilling is planned in 2015 to follow-up on these promising geophysical results.

Ground geophysics has also been conducted at Santiago, and together with other exploration results has revealed its increased potential for significant gold mineralisation. In 2014, four RC (reverse circulation) shallow holes (STG-001-R to 004-R) were drilled at the prospect. Two holes tested a north-south fault which returnedvery strong arsenic concentrations with gold testing 0.1 to 0.4ppm over 11 metres. Two holes tested a zone of brecciation and veining at the intersection of the aforementioned north-south fault with a northwest-southeast structure. The holes intersected deeplyoxidized and silicified rhyolitic tuffs with extensive gold-silver anomalies of up to 1.69ppm gold.

Social and Economic Responsibility

Patagonia Gold 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 Gold attempts, where possible, to hire local personnel and use local contractors and suppliers.

Matthew Boyes
Chief Operations Officer
8 April 2015

Strategic Report

Business review and future developments
The purpose of the review is to show how the Company assesses and manages risk and uncertainty and adopts appropriate policies and targets. Further details of the Group's business are also set out in the Chairman's Statement, the Report of the Managing Director/CEO, and the Operations Report , which are incorporated in this report by reference.

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

Through its 90% owned subsidiary Patagonia Gold S.A. ("PGSA"), the Group successfully commissioned its new gold room processing facility in November 2012 and commenced production of doré from the trial heap leach inventory. The Group commenced commercial production from the Lomada Project main heap leach in the third quarter of 2013.

Patagonia Gold's growth strategy includes the development of three key projects:

- The flagship Cap-Oeste Project, which reported an updated resource estimate in September 2012 and is the continued focus of extensive exploration and growth for the Group.
- The Lomada Project heap leach which is generating a regular cash flow to fund exploration and working capital requirements for the Group over its seven year life of mine. For 2015, the Group is expecting to produce approximately 31,000 ounces of gold from Lomada. Cash flow from gold sales in 2015 is expected to amount to approximately US$37million, assuming a US$1,200 per ounce gold price.
- The Group has decided to advance Cap-Oeste to production in two phases; the first phase being the construction of a CIL leach processing facility for approximately 400,000 ounces of medium grade oxide resource. Engineering and metallurgical studies are well advanced. Initial results from the pre-feasibility studies being carried out on the Cap-Oeste project using the heap leach process route indicate that additional oxide resources are required to make the project economically robust at current gold and silver prices. We continue to work to establish those additional resources through our exploration programmes. The second phase will entail the construction of a processing facility capable of treating the high grade sulphide hosted mineralisation at Cap-Oeste.

Principal risks and uncertainties
The Group operates in an uncertain environment that may result in increased risk, costs pressures and schedule delays. The risks that face the Group are common to all of the Group's mining activities. The following are some of the key risks that face the Group:

Financing
The development of the Group's properties will be through revenue from production and / or the Group's ability to obtain financing primarily through the raising of new equity capital, but also by means of joint venture projects, debt financing or other means. There is no assurance that the Group will be successful in obtaining the required financing. If the Group is unable to obtain additional financing as needed, some interests may be relinquished and/or the scope of the operations may be reduced.

For the third year running, 2014 proved to be very challenging for the capital markets for mining, however, on 9 December 2014, the

Company successfully raised US$12.8 million (£8.2 million) under the terms of the Subscription and Open Offer announced on 18 November 2014. The directors consider that the Group and parent company cash reserves as at 31 December 2014, together with expected operating cash inflows from Lomada, anticipated VAT recovery, proceeds from asset sales, and expected funding availability from existing open lines of credit, will enable the Group to meet all of its financial commitments, including loan repayments, as they fall due over a period of at least 12 months from the date of this report.

Exploration and development risk

There is no assurance that the Group's exploration activities will be successful, and statistically few properties that are explored are ultimately developed into producing mines. Accordingly, the Group is:

(i) Seeking to balance this risk by building a portfolio of projects and prospects that carry a range of differing technical and commercial risks; and

(ii) Carefully monitoring and reviewing the amount invested in any one project.

The Group's operations may also be curtailed, delayed or cancelled as a result of economic, environmental and political conditions in the area of operation. Exploration of the Company's large portfolio of properties over the past year has concentrated mainly on field work with trenching on the El Tranquilo Block where numerous drill targets have been identified and on the Manchuria Block where exploration together with a small drill program has continued to highlight the potential of this area to become a stand-alone mine.

Competition

There is strong competition within the mining industry for the identification and acquisition of suitable properties. The Group competes with other exploration and production companies, some of which have greater financial resources than the Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel.

Fiscal regimes

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

Currency

The Group presents its financial results in United States dollars ("USD"). The Group commenced commercial production at its Lomada Project main heap leach operation in third quarter of 2013. Gold production is shipped to Toronto, Canada for refining and proceeds from the gold sales, denominated in USD, are transferred to Argentina within 84 days from customs and clearance where the funds are converted to Argentine peso. The Group does not engage in active hedging to minimise exchange rate risk but does keep the process under review. Equity capital is raised in British pound sterling ("GBP"). Prior to contributing capital to the subsidiary companies, Patagonia Gold converts the GBP to USD and transfers the USD to Argentina where they are converted to Argentine pesos ("ARS"). The Group takes advice from FX traders and takes advantage of GBP to USD exchange rates as and when required.

Environmental and other regulatory requirements

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

All permits have been received for the development and production of the Lomada Project main heap leach from the State Secretary of Mines, Santa Cruz.

Key Performance Indicators

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

Non-financial KPIs		*Financial KPIs*	
Health and safety management	Lost time injury frequency rate. Medical treatment injury frequency rate.	Shareholder return	Share price performance.
Environment management	Compliance with strict jurisdictional environmental policies.	Exploration expenditure	Exploration cost per metre drilled.
Operational success	The number of successful exploration drilling ventures and growth of resources.	Exploration development	Results of scoping and feasibility studies. Growth of resources.
Human resource management	Employee retention rate. Attracting qualified employees for key positions.	Working capital	Monitoring working capital. Ensuring adequate liquidity.

Non-Financial KPIs

- Health and Safety Management: The Company's Health and Safety Department is staffed by three qualified and experienced personnel. During the year 2014, the Lost Time Injury Frequency Rate for the Company was 22.29, the Lost Time Injury Incidence Rate was 2.64 and the Medical Treatment Injury Frequency Rate was 0.23% per man/worked day.
- Environment Management: The Company's Environmental Department is staffed by three qualified and experienced

personnel. Patagonia Gold is compliant with Santa Cruz jurisdictional environmental policy requirements. During 2014, PGSA presented several Environmental Impact Assessment ("EIA") reports, prepared in compliance with provincial and national environmental laws and regulations, to the Secretary of Mines, Santa Cruz for exploration and drilling on the property blocks of the Group. In addition, quarterly water quality assays and reports were prepared and environmental baselines were completed in compliance for the four projects comprising the resource base for the Company. PGSA also successfully passed several on-site inspections conducted by provincial authorities.

- Operational Success: The Group commenced commercial production of gold in July 2013 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva project. Gold production reached nameplate 1,750 ounces per month in November 2013 and increased to the planned 3,000 ounces per month in late July 2014. A further improvement since August has seen average monthly production reach 3,131 ounces of gold up to December 2014.During 2015 the Group is expecting to produce approximately 31,000 ounces of gold from Lomada; cash flow from the resulting gold sales is expected to amount to approximately US$37.2 million, assuming a US$1,200 per ounce gold price. During 2014, the Company completed a short reconnaissance reverse circulation (RC) drilling program of 2,698 metres on the wider El Tranquilo block.
- Human Resource Management: During 2014, the employee retention rate was 81.3% and the Group was successful in retaining key personnel in a difficult market with increasing demand for experienced mining personnel from competitors in the region. The turnover was 14.8% during the year. The Company has introduced a plan for the evaluation of personnel in the areas of productivity, health and safety, training skills and environmental compliance.

Financial KPIs

- Shareholder Return: The Company's share price continues to be impacted by the downturn in the capital markets most notably in the precious metals sector. Patagonia Gold's share price went from a high of 12.75 pence in January 2014 to 3.13 pence in December 2014. The closing mid-market price of the Company's ordinary shares on 31 December 2014 was 3.50 pence, down from 11.00 pence at 31 December 2013.
- Exploration Expenditure: As a result of tightening market conditions, the company chose to reduce exploration expenditure and focus exploration resources on of the 700km2 El Tranquilo block, encompassing the Cap Oeste and COSE Projects with the objective of delineating additional mineralisation to contribute to the resource base. Previous exploration at El Tranquilo had primarily focussed on the principal resources of Cap Oeste and COSE, with negligible regional exploration over the remaining 95% of the El Tranquilo block. During 2014, the company conducted a traditional and systematic evaluation of the wider El Tranquilo block, acquiring and integrating extensive ground magnetic surveys, induced polarisation geophysics and geochemistry with geological mapping and remote sensing data to develop new targets. A short reconnaissance reverse circulation (RC) drilling program, conducted to assess the principal targets, intersected gold-silver mineralisation at several prospects that will require more detailed exploration during 2015. Prospects for detailed exploration during 2015 include Calafate, Valle, Santiago, La Cañada 2 and Monte Leon North.
- Exploration Development: There have been no additions to the Group's resource base in 2014. The Measured and Indicated resources at Lomada were depleted from 132,849 ounces to 61,919 ounces through production while the inferred category remained unchanged at 73,735 ounces. Working Capital: At 31 December 2014, working capital netted to US$(4.5) million, an improvement of US$8.3 million from the 31 December 2013 working capital of US$(12.8) million. This improvement was due to there being US$4.6 million more cash on hand, US$0.6 million increase in gold inventory, a US$1.8 million increase in available-for-sale current financial assets plus a US$1.7 million decrease in trade and other payables including short term loans, offset by a US$0.4 million decrease in trade and other receivables.

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

Directors

Biographies of the current Directors can be found at the beginning of this document.

At 8 April 2015, each of the Directors has taken all necessary steps to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information and that there is no relevant audit information of which the Company's auditor is unaware. A Letter of Representations to this effect has been delivered to the Company's auditor, Grant Thornton UK LLP.

Risk factors

Details of the principal financial risk factors affecting the Company can be found in note 24.

Subsequent events

Significant events since the year end are detailed in the Report of the Managing Director/CEO, the Operations Report, the Report of the Directors and in the Notes to the Accounts.

Future developments

Planned future developments are outlined in the Report of the Managing Director/CEO and in the Operations Report.

Subsidiary companies

Details of the Company's subsidiaries can be found in note 15.

Further information

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

On behalf of the Board of Directors

Bill Humphries
Managing Director/Chief Executive Officer
8 April 2015

Report of the Directors

The Directors present their report and the audited financial statements for Patagonia Gold Plc (the "Company" or "Patagonia Gold") and its subsidiaries, collectively known as the "Group", for the year ended 31 December 2014. All amounts are expressed in US$ ("$") except where indicated.

Financial instruments

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

Going concern

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

The Group is an advanced gold and silver exploration and development company which commenced commercial production of gold in July 2013 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva Project. Gold production continued and reached nameplate 1,750 ounces per month in November 2013 and continued at that level or above to July 2014. In August 2014 the Group expanded production from Lomada to 3,000 ounces per month. Capital required to achieve the expansion was approximately $2.2m.

Patagonia Gold's growth strategy includes the development of two key projects, one of which is the Lomada Project which is currently generating free cash flow, the second being the flagship Cap-Oeste / COSE Project which is being developed in two stages, the first stage being an oxide leach process from Cap-Oeste resource together with the COSE project and the second stage being the development of the Cap-Oeste sulphide mineralisation.

Regular monthly cash flow from the Lomada Project main heap leach together with a portion of the funds raised in November 2014, are targeted to partly finance the Company's exploration programme for 2015 and continuing studies on the Cap-Oeste / COSE project.

The directors consider that the Group and parent company cash reserves as at 31 December 2014, together with expected operating cash inflows from Lomada, anticipated VAT recovery, proceeds from asset sales, and expected funding availability from existing open lines of credit, will enable the Group to meet all of its financial commitments, including loan repayments, as they fall due over a period of at least 12 months from the date of this report. Taking into account the nature of the Group's current and planned activities and the flexibility that this provides operationally and for cash flow purposes, the directors have therefore concluded that the financial statements should be prepared on a going concern basis.

Share capital

On 26 February 2014, following consultation with the Company's advisors, it was announced that 3,074,331 ordinary shares in the Company would be issued in lieu of $585 thousand (£350 thousand), representing the outstanding fees owed to Directors for their services during 2013, under each Director's terms of appointment. The shares were deemed to be allotted for cash at a market price of 11.38 pence, being the volume weighted average share price for the Company for the 30 day period prior to the date of the announcement. These shares were admitted to the market on 4th March 2014.

On 9 December 2014, the Company issued 182,688,427 new ordinary shares, each at a price of 4.50 pence per share raising $12.8 million (£8.2 million) under the terms of the Subscription and Open Offer dated 18 November 2014. The cost of the placement totalled $512.8 thousand (£328.8 thousand) resulting in net proceeds of $12.3 million (£7.9 million). $2.8 million (£1.8 million) of the net proceeds are included in share capital and the balance of $9.5 million (£6.1 million) is included in share premium.

During 2014, the Company allotted a total 5,187,000 new ordinary shares pursuant to the exercise of share options for total gross proceeds of $689.2 thousand (£415.0 thousand). Of this total, $86.1 thousand (£51.9 thousand) of the gross proceeds are included in share capital and the balance of $603.1 thousand (£363.1 thousand) is included in share premium. Details of the share options exercised are as follows:

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

5,817,000

Subsequent event

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

Financial results

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

Dividends

The Directors do not recommend the payment of a dividend (2013: $nil).

Substantial shareholdings

In addition to the interest of Carlos J. Miguens disclosed below, at 8 April 2015, the Company had been notified of, or was aware of, the following interests of 3% or more in its issued share capital:

Ordinary Shares of 1 pence:	*Number*	*Percentage*
Carlos J. Miguens	211,187,533	20.16
Van Eck Global	38,603,770	3.68
Cinco Vientos Uruguay SA	45,897,392	4.38
Arconas International	31,420,530	3.00

Directors and Directors' interests

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

Ordinary Shares of 1p:	*8 April 2015*	*31 December 2014*	*31 December 2013*
Carlos J. Miguens	211,187,533	211,187,533	132,680,199
William H. Humphries	31,094,211	30,892,699	27,550,541
Gonzalo Tanoira	10,191,035	10,191,035	7,143,255
Marc J. Sale - *Resigned 3 September 2014*	N/A	N/A	1,676,687
Edward J. Badida	351,352	351,352	-
Manuel de Prado	197,635	197,635	-
Glenn Featherby	2,151,447	2,151,447	1,953,812

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

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

to Carlos J. Miguens $123,570 (2013: $117,322) for his services as Director and Chairman;

to William H. Humphries through his company Mining Management-Europe (MM-E) $280,092 (2013: $265,931) for his services as Director and Chief Executive Officer of Patagonia Gold Plc.;

to Gonzalo Tanoira $65,904 (2013: $62,572) for his services as Director;

to Marc J. Sale through his company Specialist Services $33,358 (2013: $46,929) for his services as Director through to the date of his resignation;

to Edward J. Badida $65,904 (2013: $62,572) for his services as Director and Chairman of the Audit Committee;

to Manuel de Prado $49,428 (2013: $31,286) for his services as Director; and

to Glenn Featherby $49,428 (2013: $31,286) for his services as Director.

Of the above, US$642,719 remained unpaid at the year-end.

No Director received any other bonus or benefits-in-kind in 2014 or 2013.

Directors hold options in their names and/or under controlled subsidiaries.

In January 2014, Gonzalo Tanoira exercised 1,281,000 share options which were admitted to the AIM market on 29 January 2014.

On 25 July 2014, William Humphries was awarded 4,000,000 share options at an exercise price of 7.875p with an expiry date of 24 July 2024.

No other Director exercised or was awarded any options during the year.

At 31 December 2014, the Directors were interested in unissued ordinary shares granted to them by the Company under share options held by them pursuant to individual option agreements:

Date of	*Exercise*	*Ordinary*	*Due from which*

Name	grant	price	Shares	exercisable	Expiry date
C J Miguens	23 June 2009	12.25p	4,500,000	23 June 2009	22 June 2019
C J Miguens	17 June 2010	15.00p	1,100,000	17 June 2010	16 June 2020
C J Miguens	10 February 2011	11.00p	2,000,000	10 February 2011	9 February 2021
C J Miguens	13 May 2011	11.00p	900,000	13 May 2011	12 May 2021
C J Miguens	31 January 2012	11.00p	2,000,000	31 January 2012	30 January 2022
C J Miguens	9 January 2013	22.75p	9,000,000	9 January 2013	8 January 2023
C J Miguens	19 September 2013	11.75p	5,000,000	19 September 2013	18 September 2023
W H Humphries	23 June 2009	12.25p	4,500,000	23 June 2009	22 June 2019
W H Humphries	17 June 2010	15.00p	1,100,000	17 June 2010	16 June 2020
W H Humphries	10 February 2011	11.00p	2,000,000	10 February 2011	9 February 2021
W H Humphries	13 May 2011	11.00p	900,000	13 May 2011	12 May 2021
W H Humphries	31 January 2012	11.00p	2,000,000	31 January 2012	30 January 2022
W H Humphries	9 January 2013	22.75p	3,000,000	9 January 2013	8 January 2023
W H Humphries	25 July 2014	7.875p	4,000,000	25 July 2014	24 July 2024
G Tanoira	23 June 2009	12.25p	1,719,000	23 June 2009	22 June 2019
G Tanoira	17 June 2010	15.00p	500,000	17 June 2010	16 June 2020
G Tanoira	13 May 2011	11.00p	500,000	13 May 2011	12 May 2021
G Tanoira	9 January 2013	22.75p	1,000,000	9 January 2013	8 January 2023
E J Badida	1 November 2011	11.00p	750,000	1 November 2011	31 October 2021
M de Prado	12 September 2013	11.00p	750,000	12 September 2013	11 September 2023
G Featherby	12 September 2013	11.00p	750,000	12 September 2013	11 September 2023

The Company's ordinary shares were traded on AIM and the GBP market price of those shares ranged between 3.13 pence and 12.75 pence during the year. The closing mid-market price of the Company's ordinary shares on 31 December 2014 was 3.50 pence (31 December 2013: 11.00 pence).

Following the fundraising of October 2012, William H. Humphries also holds warrants over 2,065,263 ordinary shares as detailed in Note 22.

Corporate governance

The Board of Directors manage the Company. The function of the Chairman is to supervise the Board and to ensure that the Board has control of the business, and that of the Managing Director is to manage the Company on the Board's behalf.

All Board members have access, at all times, to sufficient information about the business to enable them to fully discharge their duties. Also, procedures exist covering the circumstances under which the Directors may need to obtain independent professional advice at the Company's expense.

The Board has established Committees to fulfil specific functions as specified in the respective terms of reference as adopted by resolution on 18 November 2011.

The Audit Committee, which comprises Edward J. Badida (Chairman), Manuel de Prado and Glenn Featherby, monitors and reviews the Group's financial reporting and internal control procedures. Meetings are held as required. A separate internal audit function cannot be justified, at present, in view of the size and scope of the Group's activities. The external auditor is invited to attend at least one meeting of the Audit Committee each year.

The Remuneration Committee comprises Glen Featherby (Chairman), Edward J. Badida and Manuel de Prado. Meetings are convened to monitor, assess and report to the full Board on all aspects and policy relating to the remuneration of Executive Directors and executive officers of the Company, and to develop and submit to the Board recommendations with respect to other employee benefits considered advisable.

The Nomination Committee comprises Manuel de Prado (Chairman), Edward J. Badida and Glenn Featherby. Meetings are convened at least twice a year to assist the Company and the Board in fulfilling their respective corporate governance responsibilities under applicable securities laws, instruments, rules and policies and regulatory requirements, to promote a culture of integrity throughout the Company and to assist the Company in identifying and recommending new nominees for election to the Board.

All Directors are required, in turn, to stand for re-election every three years.

Internal control

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

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

Directors' service agreements

Marc J. Sale resigned from the Board and Committees on 3 September 2014 with immediate effect.

Carlos J. Miguens, Edward J. Badida, Manuel de Prado and Glenn Featherby have service arrangements that provide for three months' notice of termination and those of William H. Humphries and Gonzalo Tanoira provide for six months' notice of termination.

Relations with shareholders

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

Annual General Meeting

The Company's Annual General Meeting is convened for 10 June 2015 at 11.00 am to be held at The Millennium Hotel London Mayfair, Grosvenor Square, London W1K 2HP. The notice of Annual General Meeting is attached with the financial statements. The notice includes items of Special Business and an explanation regarding such business can be found at the end of the notice.

The Directors who retire by rotation are William H. Humphries and Edward J. Badida who, being eligible, offer themselves for re-election.

Directors' indemnification provisions

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

Auditors

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with Section 489(4) of the Act, a resolution to re-appoint Grant Thornton UK LLP as auditor of the Company will be proposed at the Annual General Meeting to be held on 10 June 2015.

By Order of the Board

Nigel Everest
Company Secretary
8 April 2015

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors confirm that:

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

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

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

We have audited the financial statements of Patagonia Gold Plc for the year ended 31 December 2014 which comprise the group statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Westerman
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
8 April 2015

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014

(Thousands of $)	*Note*		*2014*		*2013*
Continuing operations					
Revenue	5		35,867		10,182
Cost of sales			(26,102)		(9,850)
Gross profit			9,765		332
Exploration costs		$	(5,179)	$	(8,309)
Administrative costs					
Share-based payments charge	27		(555)		(2,271)
Other administrative costs	8		(10,605)		(12,713)
			(11,160)		(14,984)
Finance income	6		1,202		5,180
Finance costs			(1,011)		(629)
Loss before taxes			(6,383)		(18,410)
Income tax (charge) / benefit	10		(372)		3,249
Loss for the year			(6,755)		(15,161)
Attributable to non-controlling interest	23		(335)		(2,904)
Attributable to equity share owners of the parent			(6,420)		(12,257)
			(6,755)		(15,161)
Other comprehensive expense:					
Items that will not be reclassified to profit or loss:					
Loss on revaluation of available-for-sale financial assets			(9)		(65)
Items that may be reclassified subsequently to profit or loss:					
Exchange gain / (loss) on translation of foreign operations	5		(5,249)		(7,936)
Other comprehensive (loss) for the year			(5,258)		(8,001)
Total comprehensive loss for the year attributable to owners of the parent		$	(12,013)	$	(23,162)
Net loss per share ($)					
Basic loss per share	11	$	(0.01)	$	(0.01)
Diluted loss per share	11	$	(0.01)	$	(0.01)

The notes form part of these financial statements.

Consolidated Statement of Financial Position
at 31 December 2014

(Thousands of $)	*Note*	*2014*	*2013*
ASSETS			
Non-current assets			
Property, plant and equipment	14	$ 11,789	$ 17,943
Mineral properties	13	5,191	7,278
Mining rights	12	3,687	3,787
Available-for-sale financial assets	24	18	29
Other receivables	16	12,408	11,205
Deferred tax asset	10	2,694	3,569
		35,787	43,811
Current assets			
Available-for-sale financial assets	6	1,792	-
Inventory	18	3,525	2,941
Trade and other receivables	17	878	1,235

Cash and cash equivalents	19	5,588	981
		11,783	5,157
Total assets		$ 47,570	$ 48,968
LIABILITIES			
Current liabilities			
Short-term loans	20	8,046	9,871
Trade and other payables	20	8,241	8,147
		16,287	18,018
Non-current liabilities			
Long-term loans	21	2,786	4,634
Provisions	21	1,133	1,076
		3,919	5,710
Total liabilities		20,206	23,728
EQUITY			
Share capital	22	16,256	14,108
Share premium account		161,285	160,087
Currency translation reserve		(15,453)	(21,547)
Share-based payment reserve		17,990	18,804
Accumulated losses		(153,461)	(147,294)
Equity attributable to shareholders of the parent		26,617	24,158
Non-controlling interest	23	747	1,082
Total equity		27,364	25,240
Total liabilities and equity		$ 47,570	$ 48,968

Company Registered number 3994744

These financial statements were approved by the Board of Directors on 8 April 2015 and were signed on its behalf by:

Gonzalo Tanoira
Director
The notes form part of these financial statements.

Company Statement of Financial Position at 31 December 2014

(Thousands of $)	*Note*	*2014*	*2013*
ASSETS			
Non-current assets			
Property, plant and equipment	14	$ 67	$ 119
Investment in subsidiary companies	15	115,000	120,496
Available-for-sale financial assets	24	18	29
		115,085	120,644
Current assets			
Trade and other receivables	17	4,243	1,780
Cash and cash equivalents	19	4,804	79
		9,047	1,859
Total assets		$ 124,132	$ 122,503
LIABILITIES			
Current liabilities			
Short-term loans	20	-	3,040
Trade and other payables	20	5,174	4,830
Total liabilities		5,174	7,870
EQUITY			
Share capital	22	16,256	14,108
Share premium account		161,285	160,087
Currency translation reserve		2,090	(2,927)
Share-based payment reserve		17,990	18,804
Accumulated losses		(78,663)	(75,439)
Total equity		118,958	114,633
Total liabilities and equity		$ 124,132	$ 122,503

Company Registered number 3994744

These financial statements were approved by the Board of Directors on 8 April 2015 and were signed on its behalf by:

Gonzalo Tanoira
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

		Equity attributable to shareholders of the parent							
(Thousands of $)	*Note*	*Share capital*	*Share premium account*	*Currency translation reserve*	*Share-based payment reserve*	*Accumulated losses*	*Total attributable to owners*	*Non-controlling interests*	*Total equity*
At 1 January 2013		$13,126	$ 147,347	$ (8,929)	$ 16,222	$ (135,112)	$ 32,654	$ 3,986	$ 36,640
Changes in equity for 2013									
Share-based payment	27	-	-	-	2,271	-	2,271	-	2,271
Issue of share capital									
Issue by placing	22	620	8,679	-	-	-	9,299	-	9,299
Transaction costs of placing		-	(54)	-	-	-	(54)	-	(54)
Exercise of option	22	28	218	-	(140)	140	246	-	246
Transactions with owners		648	8,843	-	2,131	140	11,762	-	11,762
Loss for the year		-	-	-	-	(12,257)	(12,257)	(2,904)	(15,161)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets		-	-	-	-	(65)	(65)	-	(65)
Exchange differences on translation to $		334	3,897	(12,618)	451	-	(7,936)	-	(7,936)
Total comprehensive income/ (loss) for the year		334	3,897	(12,618)	451	(12,322)	(20,258)	(2,904)	(23,162)
At 31 December 2013		14,108	160,087	(21,547)	18,804	(147,294)	24,158	1,082	25,240
Changes in equity for 2014									
Share-based payment	27	-	-	-	555	-	555	-	555
Issue of share capital									
Issue by placing	22	2,901	10,505	-	-	-	13,406	-	13,406
Transaction costs of placing		-	(513)	-	-	-	(513)	-	(513)
Exercise of option	22	86	603	-	(262)	262	689	-	689
Transactions with owners		2,987	10,595	-	293	262	14,137	-	14,137
Loss for the year		-	-	-	-	(6,420)	(6,420)	(335)	(6,755)
Other comprehensive income (loss):									
Revaluation of available-for-sale financial assets		-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to $		(839)	(9,397)	6,094	(1,107)	-	(5,249)	-	(5,249)
Total comprehensive income /(loss) for the year		(839)	(9,397)	6,094	(1,107)	(6,429)	(11,678)	(335)	(12,013)
At 31 December 2014		$ 16,256	$ 161,285	$ (15,453)	$ 17,990	$ (153,461)	$ 26,617	$ 747	$ 27,364

The notes form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2014

(Thousands of $)	*Note*	*Share capital*	*Share premium account*	*Currency translation reserve*	*Share-based payment reserve*	*Accumulated losses*	*Total*
At 1 January 2013		$ 13,126	$ 147,347	$ (1,160)	$ 16,222	$ (73,709)	$ 101,826
Changes in equity for 2013							
Share-based payment	27	-	-	-	2,271	-	2,271
Issue of share capital							
Issue by placing	22	620	8,679	-	-	-	9,299
Transaction costs of placing		-	(54)	-	-	-	(54)
Exercise of option	22	28	218	-	(140)	140	246
Transactions with owners		648	8,843	-	2,131	140	11,762
Loss for the year		-	-	-	-	(1,805)	(1,805)
Other comprehensive income (loss):							
Revaluation of available-for-sale financial assets		-	-	-	-	(65)	(65)
Exchange differences on translation to $		334	3,897	(1,767)	451	-	2,915
Total comprehensive income/ (loss) for the year		334	3,897	(1,767)	451	(1,870)	1,045
At 31 December 2013		14,108	160,087	(2,927)	18,804	(75,439)	114,633
Changes in equity for 2014							
Share-based payment	27	-	-	-	555	-	555
Issue of share capital							
Issue by placing	22	2,901	10,505	-	-	-	13,406
Transaction costs of placing		-	(513)	-	-	-	(513)
Exercise of option	22	86	603	-	(262)	262	689
Transactions with owners		2,987	10,595	-	293	262	14,137
Loss for the year		-	-	-	-	(3,477)	(3,477)
Other comprehensive income (loss):							
Revaluation of available-for-sale financial assets		-	-	-	-	(9)	(9)
Exchange differences on translation to $		(839)	(9,397)	5,017	(1,107)	-	(6,326)
Total comprehensive income/ (loss) for the year		(839)	(9,397)	5,017	(1,107)	(3,486)	(9,812)
At 31 December 2014		$ 16,256	$ 161,285	$2,090	$ 17,990	$ (78,663)	$ 118,958

The notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2014

(Thousands of $)	*Note*	*2014*	*2013*
Operating activities			
Loss for the year		$ (6,755)	$ (15,161)
Adjustments for:			
Finance income	6	(1,202)	(5,180)
Finance costs		1,011	629
Depreciation	12,13&14	5,717	3,503
Increase in available-for-sale financial assets		(1,792)	-
Decrease / (increase) in inventory		(584)	1,939
Increase in trade and other receivables		(846)	(3,099)
Decrease / (increase) in deferred tax asset		875	(2,988)
Increase in trade and other payables		94	12,049
Increase / (decrease) in provisions		57	(28)
Share-based payments charge	27	555	2,271
Net cash used in operating activities		(2,870)	(6,065)

Investing activities			
Finance income	6	1,202	5,180
Purchase of property, plant and equipment	14	(2,461)	(11,405)
Additions to mineral properties	13	(705)	(476)
Proceeds from disposal	14	87	4
Net expense income from trial production	13	-	(1,062)
Net cash used in investing activities		(1,877)	(7,759)
Financing activities			
Finance costs		(1,011)	(629)
Increase in Loans	20&21	12,330	4,634
Repayment of Loans	20&21	(16,790)	-
Proceeds from issue of share capital	22	13,406	9,299
Transaction costs of placing	22	(513)	(54)
Proceeds from exercise of options	22	689	246
Net cash from financing activities		8,111	13,496
Net increase/(decrease) in cash and cash equivalents		3,364	(328)
Cash and cash equivalents at beginning of year		981	4,663
Effects of exchange rate fluctuations on cash and cash equivalents		1,243	(3,354)
Cash and cash equivalents at end of year		$ 5,588	$ 981

The notes form part of these financial statements.

Company Statement of Cash Flows
for the year ended 31 December 2014

(Thousands of $)	*Note*	*2014*	*2013*
Operating activities			
Loss for the year		$ (3,477)	$ (1,805)
Adjustments for:			
Finance income	6	(449)	(5,180)
Finance costs		102	23
Depreciation	14	47	46
Increase in trade and other receivables		(2,463)	(400)
Increase / (decrease) in trade and other payables		344	(13,305)
Share-based payments charge	27	555	2,271
Net cash (used in) from operating activities		(5,341)	(18,350)
Investing activities			
Increase in investment in subsidiary companies	15	(1,490)	-
Finance income			
6		449	5,180
Purchase of property, plant and equipment	14	-	(28)
Net cash used in investing activities		(1,041)	5,152
Financing activities			
Finance costs		(102)	(23)
Repayment of Loans	20	(3,040)	-
Proceeds from issue of share capital	22	13,406	9,299
Transaction costs of placing		(513)	(54)
22			
Proceeds from exercise of options	22	689	246
Net cash from financing activities		10,440	9,468
Net increase / (decrease) in cash and cash equivalents		4,058	(3,730)
Cash and cash equivalents at beginning of year		79	3,342
Effects of exchange rate fluctuations on cash and cash equivalents		667	467
Cash and cash equivalents at end of year		$ 4,804	$ 79

The notes form part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2014

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

1. Basis of preparation

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

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

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

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

A separate statement of comprehensive income for the Company has not been presented as permitted by Section 408 of the Companies Act 2006. The Company made a loss of $3.5 million in 2014 (2013: $1.8 million) which includes an impairment charge of Nil (2013: $ 1.2 million) following the closure of the Patagonia Gold Canada Inc. office, this charge being eliminated on consolidation.

2. Going concern

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

The Group is an advanced gold and silver exploration and development company which commenced commercial production of gold in July 2013 upon the successful commissioning of its new gold processing facility at the Lomada de Leiva Project. Gold production continued and reached nameplate 1,750 ounces per month in November 2013 and continued at that level or above to July 2014. In August 2014 the Group expanded production from Lomada to 3,000 ounces per month. Capital required to achieve the expansion was approximately $2.2m.

Patagonia Gold's growth strategy includes the development of two key projects, one of which is the Lomada Project which is currently generating free cash flow, the second being the flagship Cap-Oeste / COSE Project which is being developed in two stages, the first stage being an oxide leach process from Cap Cap-Oeste resource together with the COSE project and the second stage being the development of the Cap Cap-Oeste sulphide mineralisation.

Regular monthly cash flow from the Lomada Project main heap leach together with a portion of the funds raised in November 2014, are targeted to partly finance the Company's exploration programme for 2015 and continuing studies on the Cap Cap-Oeste / COSE project.

The directors consider that the Group and parent company cash reserves as at 31 December 2014, together with expected operating cash inflows from Lomada, anticipated VAT recovery, proceeds from asset sales, and expected funding availability from existing open lines of credit, will enable the Group to meet all of its financial commitments, including loan repayments, as they fall due over a period of at least 12 months from the date of this report. Taking into account the nature of the Group's current and planned activities and the flexibility that this provides operationally and for cash flow purposes, the directors have therefore concluded that the financial statements should be prepared on a going concern basis.

3. Significant accounting policies

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

Basis of consolidation

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

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

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

Revenue recognition

In accordance with IAS 18, revenue is recognised when all the significant risks and rewards of ownership have been transferred, Management consider this to be the point at which the gold is sold onto the market.

The revenue received from the sale of gold and silver recovered from the Lomada trial heap leach project to 30 June 2013 was offset against the capitalised costs of Lomada Project development in compliance with IAS 16. Revenue from commercial production was therefore recognised from 1 July 2013.

Foreign currency

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

The financial statements of the Group and the Company are presented in $. The Directors believe that the $ more accurately reflects the gold and silver markets and is the main currency of both income and on-going capital expenditure of the Group. For presentation purposes assets, liabilities and equity, excluding retained earnings, are translated to $ at exchange rates at the reporting date. Income and expenses are translated to $ at the average exchange rate for the period in which the transaction arose. The GBP/$ closing exchange rate as at 31 December 2014 was 1.5532 (2013: 1.6488) whilst the average rate for the year ended 31 December 2014 was 1.6476 (2013: 1.5643). For the year ended 31 December 2014, a translation loss of $5.2 million is recognised resulting from the translation to $ of the Company's foreign operations (2013: translation loss $7.9 million).

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

Share-based payments

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

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

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

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

Investments in subsidiaries

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

Cash and cash equivalents

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

Inventory

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

Exploration costs

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

Mining rights

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

Mineral properties

Once the technical feasibility study is completed, subsequent exploration and development expenses are capitalised as mineral properties. Engineering expenditures incurred to design the size and scope of the project, environmental assessments, permitting, and surface rights acquisitions are capitalised in mineral properties. Upon reaching the development stage, these capitalised costs will be amortised using the unit-of-production method over the estimated period of economically recoverable resources.

Assets under construction

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

From 1 March 2011, 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.

Property, plant and equipment

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

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

Straight-line basis	
Office equipment	5 - 10 years
Vehicles	5 years
Machinery and equipment	3 years
Buildings	20 years
Unit of production	
Plant	Depreciation of the plant commenced October 2011 and is depreciated on a unit-of-production method over the estimated period of economically recoverable resources.

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

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

Improvements and advances

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

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

Impairment of assets

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

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

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

During 2013 it was decided to close the Toronto offices of Patagonia Gold Canada Inc. (a wholly owned subsidiary of Patagonia Gold Plc.) and an appropriate impairment charge has been recognised in the accounts of the Company, the closure is expected to be completed in 2015.

Income taxes

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

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

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

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

Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the statement of income or charged directly against other comprehensive income.

At initial recognition the Group classifies its financial instruments into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Assets held for trading

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are stated at their fair value, including transaction costs, they are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. The Group's trade and other receivables fall into this category of financial instruments.

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

An assessment of whether a financial asset is impaired is made at each reporting date. Financial assets that are substantially past due are also considered for impairment. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

Restoration, rehabilitation and environmental costs

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

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of the Company's ordinary shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for ordinary shares, net of expenses of the share issue.
- "Currency translation reserve" represents the differences arising from translation of the financial statements of the Group's

foreign entities and the Company's financial statements to the presentational currency of $.

- The Company's "Currency translation reserve" represents the difference arising from translation of the Company's financial statements to the presentational currency of $.
- "Share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Accumulated losses" includes all current and prior period profits and losses.
- "Non-controlling interest" is the equity in a subsidiary not attributable, directly or indirectly, to the parent company.

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

Loss per share

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

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment) and takes into account the economic environment in which that segment operates. IFRS 8 requires the amount of each operating segment item to be disclosed based on internal management information. The Group's projects, the majority of which are at the exploration or development stage in South America, are not reported as separate segments. As and when each individual project progresses to construction, trial and then to production stage, it is reported as a separate segment for internal management information. Therefore, for the purposes of segmental reporting, as at 31 December 2014 the Lomada Project and the COSE Project are treated as separate operating reporting segments from the Group's other projects.

Leases

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

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

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

Critical accounting estimates and judgements

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

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

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

Key Estimates

- Mining rights - See Note 12. The mining rights acquired by PGSA are for a forty-year period from the date of the agreement and are amortised on a straight-line basis over forty years commencing in 2012. The Directors consider that this basis remains appropriate.
- Reviewing the recoverability of VAT balances due to the Group. The directors have considered in year and post year-end approvals set by the Mining Secretary in Argentina and consider the VAT receivable as at 31 December 2014 to be recoverable in full and no provision is considered necessary. Good progress has been made during 2014 to recover VAT receivables that arose in prior years. The VAT balances arising are largely due to the Group in less than one year and the directors are confident that an element of the balances will be recovered in this time period. These amounts have been classified as a non-current asset as there remains uncertainty over the exact timing of recovery, as management's on-going dialogue with the government indicate that approval by the Mining Secretary and receipt of some of the funds may require a time frame of more than one year. See Note 16.
- Carrying value of the parent company investment in its subsidiaries. The directors have reviewed the carrying value of the parent company investment in its subsidiaries. They consider that based on the evidence available to them that the prospects for the subsidiary company operations in South America remain positive, and are confident that the value of investment made into these subsidiary companies to undertake exploratory activities will enable the parent company to recover the carrying value of its investment. The directors therefore do not consider that any provision for impairment is required at 31 December 2014.

- The Company calculates the cost of share-based payments granted to employees and Directors using the Black-Scholes Model. Inputs into the model in respect of the expected option life and the volatility are subject to management estimates and any changes to these estimates may have a significant effect on the cost. The assumptions used in calculating the cost of share-based payments for the year ended 31 December 2014 are explained in Note 27 of the financial statements.

Critical Judgements

- Classification of mineral properties - See Note 13. Exploration expenditures relating to a particular project will be written off until such time as the Board has determined that the project is viable based upon a positive feasibility study and a decision to move into production
  From 1 March 2011, the Board determined that exploration costs on the COSE Project be capitalised from that date forward as mineral properties - assets in the course of construction, prior to the receipt of full permitting for mining the mineral property.
- Provisions for environmental reclamation require judgment in determination of future obligations and are based on assessments of technical, legal and economic factors. Management is required to make estimates of future costs the Group will likely incur in order to complete the reclamation and remediation work required to comply with existing laws and regulations. The ultimate cost is uncertain and estimates vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques and changes to the life of the mine. See Note 21.
- In March 2011, the Company agreed to a 2.5% Net Smelter Return ("NSR") royalty on all future production of mineral products from the properties acquired from subsidiaries of Barrick Gold Corporation ("Barrick"). A liability is recognised as sales are made in accordance with IAS37. See Note 4.
- A cash payment of $1.5 million will become payable to Barrick upon the delineation of 200,000 ounces or greater of gold or gold equivalent NI 43-101 indicated resource on the La Paloma property block. This amount has not been recognised, as there is no certainty of achieving the required indicated resource threshold. See Note 4.
- Fair value of the mining rights acquired from Fomicruz, an established mining company, wholly-owned by the government of Santa Cruz Province - See Note 12. Fomicruz contributed to PGSA certain mining rights in exchange for a 10% equity interest in PGSA. Pursuant to IFRS 2 *Share-based Payment*, the mining rights acquired are measured, by reference to the estimated fair value of the 10% interest in PGSA acquired by Fomicruz on 14 October 2011, at $4.0 million. In determining this fair value estimate, management considered many factors including the net assets of PGSA and the illiquidity of the 10% interest. This amount is recorded as an increase in the equity of PGSA and as a mining right asset. In the consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest.
- Deferred tax asset - See Note 10. The deferred tax asset recognised in the year related to the tax losses accumulated from the Lomada Project. Management consider that $1.2 million of this amount will be utilised against taxable income from the Lomada Project in 2015 and the remaining $1.5 million will be utilised against taxable income from the Lomada Project in 2016.

Changes in accounting policies and disclosures

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), the International Financial Reporting Interpretations Committee ("IFRIC"), the International Accounting Standards and Standards Interpretations Committee Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect as at 31 December 2014 and to the extent that they have been adopted by the European Union.

New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below:

- IFRS 10, 'Consolidated Financial Statements', effective for annual periods beginning on or after 1 January 2014. This standard replaces the consolidation sections of IAS 27 and SIC 12. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee;

- IFRS 12, 'Disclosure of Interests in Other Entities', effective for annual periods beginning on or after 1 January 2014. The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is in the disclosure requirement for unconsolidated structured entities or off-balance sheet vehicles;
- IAS 27, 'Separate Financial Statements', effective for annual periods beginning on or after 1 January 2014. The standard is a consequential amendment as a result of IFRS 10. The amended standard now only deals with separate financial statements;
- IAS 32, 'Financial Instruments: Presentation', effective for annual periods beginning on or after 1 January 2014. The amendment offers clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities;

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

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

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

- IFRS 2 (Annual Improvements for 2010-2012 Cycle), 'Share-based Payment', effective for annual periods beginning on or after 1 July 2014. The amendments to IFRS 2 clarify the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition';
- IFRS 8 (Annual Improvements for 2010-2012 Cycle), 'Operating Segments', effective for annual periods beginning on or after 1 July 2014. The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segments' assets are reported regularly.;
- IFRS 9, 'Financial Instruments - Classification and Measurement', effective for annual periods beginning on or after 1 January 2015. The standard reflects the first phase of the IASB's three stage project to replace IAS 39. The first phase deals with the classification and measurement of financial assets and financial liabilities. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB;
- IFRS 13 (Annual Improvements for 2010-2012 Cycle), 'Fair Value Measurement', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial;
- IAS 16 (Annual Improvements for 2010-2012 Cycle), 'Property, Plant and Equipment', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that when an item of PPE is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount;
- IAS 24 (Annual Improvements for 2010-2012 Cycle), 'Related Party Disclosures', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity;
- IAS 38 (Annual Improvements for 2010-2012 Cycle), 'Intangible Assets', effective for annual periods beginning on or after 1 July 2014. The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

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

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

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

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

A payment of $1.5 million will be payable to Barrick upon the delineation of 200,000 ounces or greater of gold or gold equivalent NI 43-101 indicated resource on the La Paloma property group. The amount has not been recognised, as there is no certainty of achieving the required indicated resource threshold.

5. Segmental analysis

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

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

Net Loss

2014 *(Thousands of $)*	Lomada Project	COSE Project	Argentina and Chile	United Kingdom	Canada	Total
Revenue	35,867	-	-	-	-	35,867
Cost of sales	(26,102)	-	-	-	-	(26,102)
Gross Profit	9,765	-	-	-	-	9,765
Exploration costs	-	-	(5,179)	-	-	(5,179)
Administrative costs						
Share-based payments charge	-	-	-	(555)	-	(555)

Depreciation and amortisation	(1,183)	-	(4,487)	(47)	-	(5,717)
Other administrative costs	-	-	(1,928)	(2,904)	(56)	(4,888)
	(1,183)	-	(6,415)	(3,506)	(56)	(11,160)
Finance income	-	-	753	449	-	1,202
Finance costs	-	-	(909)	(102)	-	(1,011)
Profit / (loss) before taxes	8,582	-	(11,750)	(3,159)	(56)	(6,383)
Income tax charge	-	-	(372)	-	-	(372)
Profit / (loss) for the year	8,582	-	(12,122)	(3,159)	(56)	(6,755)

2013
(Thousands of $)

Revenue	10,182	-	-	-	-	10,182
Cost of sales	(9,850)	-	-	-	-	(9,850)
Gross Profit	332	-	-	-	-	332
Exploration costs	-	-	(8,309)	-	-	(8,309)
Administrative costs						
Share-based payments charge	-	-	-	(2,271)	-	(2,271)
Depreciation and amortisation	(482)	-	(2,970)	(46)	(5)	(3,503)
Other administrative costs	-	-	(6,137)	(2,815)	(258)	(9,210)
	(482)	-	(9,107)	(5,132)	(263)	(14,984)
Finance income	-	-	-	5,180	-	5,180
Finance costs	-	-	(606)	(23)	-	(629)
Loss before taxes	(150)	-	(18,022)	25	(263)	(18,410)
Income tax benefit	-	-	3,249	-	-	3,249
Loss for the year	(150)	-	(14,773)	25	(263)	(15,161)

Total assets and total liabilities

	Total Assets		*Total Liabilities*	
(Thousands of $)	*2014*	*2013*	*2014*	*2013*
Argentina and Chile[1]	$ 26,733	$ 25,225	$ 12,217	$ 12,050
Argentina - Lomada Project	14,074	21,380	6,456	7,489
United Kingdom	5,095	407	1,493	4,189
Argentina - COSE Project	1,664	1,953	-	-
Canada	4	3	40	-
	$ 47,570	$ 48,968	$ 20,206	$ 23,728

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

(Thousands of $)	*2014*	*2013*
Argentina[1]	$ 5,179	$ 8,309
Argentina - COSE Project	-	-
	$ 5,179	$ 8,309

[1]Segment represents other exploration projects including Cap Oeste.

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

From 1 March 2011 onwards, expenditures incurred at the COSE Project are capitalised and disclosed as mineral properties - assets in the course of construction (See Note 13).

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

6. Finance income

(Thousands of $)	*2014*	*2013*
Bank interest	$ 1	$ 119
Investment income	1,201	5,061
	$ 1,202	$ 5,180

During the year, the Company purchased Argentine bonds (BODEN 2015) for $2.0 million (2013: $8.6 million). During the twelve months ended 31 December 2014, the Company recorded investment income on redemption of the bonds of $0.4 million (twelve months ended 31 December 2013: $5.1 million). 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 $)	*2014*	*2013*
Fair value of bonds held at end of year	$ 1,792	$ -

7. Staff numbers and costs

(Thousands of $)	*2014*	*2013*
Wages and salaries	$ 7,250	$ 6,579
Social security costs	956	1,137
	$ 8,206	$ 7,716

	2014 Number	*2013 Number*
The average number of employees (including Directors) by location during the year was:		
Argentina-operations	116	100
Argentina and Chile - exploration and administration	48	27
Canada - administration	1	1
United Kingdom - administration	4	4
Spain - administration	1	1
	170	133

8. Other administrative costs

(Thousands of $)	*2014*	*2013*
General and administrative	$ 2,784	$ 5,991
Argentine statutory taxes	758	869
Professional fees	737	923
Payments under operating leases	182	226
Foreign currency translation loss	3,604	2,590
Parent and subsidiary company Directors' remuneration	960	932
Profit on sale of assets	(132)	-
Depreciation charge	5,617	3,404
Amortisation of mining rights	100	99
Depreciation allocated to inventory	(4,168)	(2,433)
VAT (income)/expense	(153)	15
Consultancy fees	316	97
	$ 10,605	$ 12,713

9. Remuneration of Directors and key management personnel

Parent Company Directors' emoluments:

	2014	*2013*

(Thousands of $)		
Directors' fees	$ 676	$ 633
Consultancy fees	-	-
	$ 676	$ 633

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

In 2014, the highest paid Director was due $284 thousand (2013: $266 thousand). This amount does not include any share-based payments charge.

The directors had an unrealised gain of $74 thousand (2013: $Nil) from the exercise of share options during the year ended December 31, 2014.

On 26 February 2014, following consultation with the Company's advisors, 3,074,331 ordinary shares in the Company were issued in lieu of $548 thousand (£350 thousand), representing the outstanding fees owed to Directors for their services during 2013, under each Director's terms of appointment. The shares were deemed to be allotted for cash at a market price of 11.38 pence, being the volume weighted average share price for the Company for the 30 day period prior to the date of the announcement.

Key management personnel emoluments:

(Thousands of $)	Note	2013	2013
Share-based payments charge	27	$ 392	$ 1,720
Salaries		273	373
Other compensation, including short-term benefits		716	780
		$ 1,381	$ 2,873

10. Income tax

The current income tax expense for the year on the ordinary business of the Group was $393 thousand (2013: $ Nil).

Factors affecting the income tax expense for the year

The following table reconciles the reported income tax expense to the estimated income tax recovery that would have been obtained by applying the Group's 2014 and 2013 UK Statutory tax rate to the Group's loss before income tax. Items shown in other comprehensive expense are not expected to have a material impact on the year's income tax expense.

(Thousands of $)	2014	2013
Current tax:		
Current tax on operations for the year	393	235
Deferred tax:		
Loss on ordinary activities before taxation	$ 6,383	$ 18,410
Income tax at the standard UK corporation tax rate of 21% (2013: 23%)	(1,340)	(3,487)
Different local tax rates	(381)	(1,750)
Expenses not deductible for tax purposes	(86)	(1,138)
Losses and other temporary differences unrecognised and carried forward:		
- to future periods - UK	769	134
- to future periods - Argentina	1,038	6,241
Change in expected recovery of deferred tax asset	(21)	(3,484)
Total deferred taxes	(21)	(3,484)
Total income tax charge / (benefit) for the year on ordinary business	$ 372	$ (3,249)

	2014	2013
Factors affecting tax charge for the year		
Tax on operations for the year	393	235
Change in expected recovery of deferred tax asset	(21)	(3,484)
Tax charge / (credit) for the period	$ 372	$ (3,249)

Factors that may affect future tax charges

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

The Company has unrecognised losses and other temporary differences at 31 December 2014 of approximately $15.5million - £10.0 million (2013: $13.6 million - £8.3 million) that may be utilised against future taxable income. UK losses and other temporary differences may be carried forward indefinitely to reduce taxable income in the future.

Subsidiary companies in Argentina have unrecognised tax losses at 31 December 2014 of approximately $2.6 million - AR$ 22.2 million (2013: $3.4 million - AR$ 22.1 million) which may be used against future taxable income. These losses expire as follows:

Year	AR$	USD
	(in Thousands)	
2015	55	6

2016	890	104
2017	1,266	148
2018	19,789	2,318
2019	126	15

Subsidiary companies in Argentina have cumulative unused exploration costs related to different mining projects as at 31 December 2014 of approximately $41.9million - AR$ 358.1 million (2013: $49.1 million - AR$ 318.6 million). Under the Argentine law "Ley de Inversiones Mineras No. 24196", which combines the requirements of the federal tax code and the mining code, exploration costs are available to be deducted from taxable income two times in the following order:

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

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

A deferred tax asset of $2.7 million (2013: $3.6 million) related to the tax losses accumulated from the Lomada Project has been recognised as at 31 December 2014. Of this amount $1.2 million is expected to be utilised against taxable income from the Lomada Project in 2015 and the remaining $1.5 million to be utilised against taxable income from the Lomada Project in 2016**.** Following IAS1.56 the entire deferred tax asset is shown as non-current.

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

The standard UK corporation tax rate reduced from 23% in the year to 31 March 2014 to 21% in the year to 31 March 2015. Following announcements from the UK Chancellor of the Exchequer, corporation tax rates are expected to reduce to 20% for the year ending 31 March 2016.

11. Loss per share

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

	Year to 31 December 2014	*Year to 31 December 2013*
Loss after tax *(Thousands of $)*	$ (6,420)	$ (12,257)
Weighted average number of shares	873,856,656	847,814,242
Basic and diluted loss per share ($)	$ (0.01)	$ (0.01)

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

At 31 December 2014, there were 85,383,000 (31 December 2013: 84,070,000) share options and 24,705,000 warrants (31 December 2013: 24,705,000) in issue, which would have a potentially dilutive effect on the basic profit per share in the future. Share issues after the balance sheet date, as detailed in Note 31, are not considered significant.

12. Mining rights

(Thousands of $)	*Amount*
At 1 January 2013	$ 3,886
Additions	-
Amortisation charge for the year	(99)
Exchange differences	-
At 31 December 2013	$ 3,787
At 1 January 2014	3,787
Additions	-
Amortisation charge for the year	(100)
Exchange differences	-
At 31 December 2014	$ 3,687

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

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

2011 at $4.0 million. In determining this fair value estimate, management considered many factors including the net assets of PGSA and the illiquidity of the 10% interest. This amount has been recorded as an increase in the equity of PGSA and as a mining right asset. In the consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to $4.0 million.

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

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

13. Mineral properties

(Thousands of $)	*Mining assets*	*Surface rights acquired*	*Assets in the course of construction*	*Total*
Cost				
At 1 January 2013	2,888	3,220	2,461	8,569
Additions	381	-	95	476
Net expense from trial production	1,062	-	-	1,062
Disposals	-	-	-	-
Exchange differences	(895)	(789)	(603)	(2,287)
At 31 December 2013	3,436	2,431	1,953	7,820
At 1 January 2014	3,436	2,431	1,953	7,820
Additions	527	-	178	705
Disposals	-	-	-	-
Exchange differences	(752)	(581)	(467)	(1,800)
At 31 December 2014	$ 3,211	$ 1,850	$ 1,664	$ 6,725
Amortisation				
At1 January 2013	182	-	-	182
Charge for the period	482	-	-	482
Exchange differences	(122)	-	-	(122)
At 31 December 2013	$ 542	$ -	$ -	$ 542
At 1 January 2014	542	-	-	542
Charge for the period	1,183	-	-	1,183
Exchange differences	(191)	-	-	(191)
At 31 December 2014	$ 1,534	$ -	$ -	$ 1,534
Net book value				
At 31 December 2014	$ 1,677	$ 1,850	$ 1,664	$ 5,191
At 31 December 2013	$ 2,894	$ 2,431	$ 1,953	$ 7,278

Mining assets

The Lomada Project completed the trial heap leach phase and entered full commercial production in the third quarter of 2013. From 1 September 2010 all development costs incurred in respect of the project have been capitalised as mineral properties - mining assets. The revenue received from the sale of gold and silver recovered from the Lomada trial heap leach project to 30 June 2013 was $1.1 million. These proceeds were offset against the capitalised costs of Lomada Project development in compliance with IAS 16. Amortisation is charged based on the unit-of-production method.

Surface rights

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

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

Assets in the course of construction

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

14. Property, plant and equipment

			GROUP	*COMPANY*
Office equipment	Machinery			

(Thousands of $)	and vehicles	and equipment	Buildings	Plant	Improvements and advances	Total	Office equipment
Cost							
At 1 January 2013	732	5,709	1,071	1,998	4,105	13,615	241
Additions	98	5,333	35	4,843	1,096	11,405	28
Transfers	-	-	-	3,703	(3,703)	-	-
Disposals	-	(4)	-	-	-	(4)	-
Exchange differences	(113)	(1,398)	(262)	(489)	(1,005)	(3,267)	5
At 31 December 2013	717	9,640	844	10,055	493	21,749	274
At 1 January 2014	717	9,640	844	10,055	493	21,749	274
Additions	9	501	-	1,117	834	2,461	-
Transfers	-	960	135	45	(1,140)	-	-
Disposals	-	(87)	-	-	-	(87)	-
Exchange differences	(120)	(2,307)	(202)	(2,407)	(118)	(5,154)	(16)
At 31 December 2014	606	8,707	777	8,810	69	18,969	258
Depreciation							
At 1 January 2013	327	1,266	42	99	-	1,734	104
Disposals	-	(4)	-	-	-	(4)	-
Charge for the year	117	1,087	20	1,702	-	2,926	46
Exchange differences	(59)	(482)	(13)	(296)	-	(850)	5
At 31 December 2013	385	1,867	49	1,505	-	3,806	155
At 1 January 2014	385	1,867	49	1,505	-	3,806	155
Disposals	-	(87)	-	-	-	(87)	-
Charge for the year	95	868	14	3,544	-	4,521	47
Exchange differences	(67)	(437)	(12)	(544)	-	(1,060)	(11)
At 31 December 2014	413	2,211	51	4,505	-	7,180	191
Net book value							
At 31 December 2014	193	6,496	726	4,305	69	11,789	67
At 31 December 2013	$ 332	$ 7,773	$ 795	$ 8,550	$ 493	$ 17,943	$ 119

Improvements and advances at the year-end relate to the development and modification of software and plant, including advance payments. During the year, assets under development with a cost of $1.1million (2013 $3.7 million) came into use and were subsequently reclassified as plant.

15. Investment in subsidiary companies

COMPANY

(Thousands of $)	*2014*	*2013*
Balance at 1 January	$ 120,496	$ 118,048
Capital contributions during the year	1,490	-
Exchange differences	(6,986)	2,448
Balance at 31 December	$ 115,000	$ 120,496

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

The directors have reviewed the carrying value of the parent company investment in its subsidiaries. They consider that based on the evidence available to them that the prospects for the subsidiary company operations in South America remain positive, and are confident that the value of investment made into these subsidiary companies to undertake exploratory activities will enable the parent company to recover the carrying value of its investment. The directors therefore do not consider that any provision for impairment is required at 31 December 2014.

Company	Country of incorporation	2014 Percentage shareholding	2013 Percentage shareholding	Nature of business
Patagonia Gold S.A.	Argentina	90	90	Exploration
Minera Minamalu S.A.	Argentina	100	100	Exploration
Huemules SA	Argentina	100	100	Exploration
Leleque Exploración SA	Argentina	100	100	Exploration
Patagonia Gold Canada Inc.	Canada	100	100	Administration
Patagonia Gold Chile S.C.M.	Chile	100	100	Exploration

16. Other receivables

Non-current assets	*GROUP*		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Recoverable VAT	$12,191	$ 11,041	$ -	$-
Other receivables	217	164	-	-
	$ 12,408	$ 11,205	$ -	$ -

The directors have considered in year and post year-end approvals set by the Mining Secretary in Argentina and consider the VAT receivable as at 31 December 2014 to be recoverable in full and no provision is considered necessary. Good progress has been made during 2014 to recover VAT receivables that arose in prior years. The VAT balances arising are largely due to the Group in less than one year and the directors are confident that an element of the balances will be recovered in this time period. These amounts have been classified as a non-current asset as there remains uncertainty over the exact timing of recovery, as management's on-going dialogue with the government indicate that approval by the Mining Secretary and receipt of some of the funds may require a time frame of more than one year.

17. Trade and other receivables

Current assets	*GROUP*		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Other receivables	$ 672	$ 1,070	$ -	$ -
Intercompany receivables	-	-	4,037	1615
Prepayments and accrued income	126	116	126	116
UK Recoverable VAT	65	11	65	11
Recharge of costs owed by				
Landore Resources Limited (Note 26)	15	38	15	38
	$ 878	$ 1,235	$ 4,243	$ 1,780

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

Following the closure of the Toronto office in 2013, a full impairment provision of US$1.2 million (2013 US$1.2 million) was taken against the intercompany loans made to of Patagonia Gold Canada Inc. in the accounts of the Company. The carrying value of all other trade and other receivables is considered a reasonable approximation of fair value.

There are no past due debtors.

18. Inventory

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

	GROUP		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				

Work in process				
Gold held on carbon	$ 3,525	$ 772	-	-
Finished products				
Gold doré	-	2,169	-	-
	$ 3,525	$ 2,941	$ -	$ -

During the year a write-down of inventory to net realisable value of $Nil (2013: $1.2million) was recognised in cost of sales.

The cost of inventories recognised as an expense and included in the cost of sales amounted to $22.5 million (2013: $8.7 million).

All inventories are expected to be sold, used or consumed within one year of the balance sheet date.

19. Cash and cash equivalents

	GROUP		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Bank and cash balances	$ 5,526	$ 916	$ 4,742	$ 14
Short-term deposits	62	65	62	65
	$ 5,588	$ 981	$ 4,804	$ 79

20. Trade and other payables

Current liabilities	*GROUP*		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Trade and other payables	$ 7,197	$ 7,147	$ 449	$ 149
Intercompany payables	-	-	3,681	3,681
Short term loans	8,046	9,871	-	3,040
Other accruals	1,044	1,000	1,044	1,000
	$ 16,287	$ 18,018	$ 5,174	$ 7,870

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. During the year, certain short term loans were secured by an assignment to certain gold sales agreements. The assignment agreement was terminated on 20 February 2014.

Interest rates on short term loans ranged from 6.0% to 10.5%, priority has been given to repaying those at the higher rates.

21. Loans and provisions

	GROUP		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Long term loans	$ 2,786	$ 4,634	$ -	$ -
Provisions	1,133	1,076	-	-
	$ 3,919	$ 5,710	$ -	$ -

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

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

Interest rates on long term loans ranged from 7.0% to 7.5%.

	Reclamation and remediation provision (i)	*Tax provision (ii)*	*Other (iii)*	*Total*
(Thousands of $)				
Balance at 1 January 2014	$ 497	$ 394	$ 185	$ 1,076
Net additions / (reductions)	281	(94)	(130)	57
Balance at 31 December 2014	$ 778	$ 300	$ 55	$ 1,133

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

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

(iii) Includes provision for Santa Cruz Water department assessment and road traffic accident. (Note 30.)

22. Share capital

Authorised

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

Issued and fully paid ordinary shares of 1 pence each ($0.016)	*Number of ordinary shares*	*Amount*	
At 1 January 2013	812,630,878	$ 13,126	
Issue by placing	41,196,687		620
Exercise of options	1,825,000		28
Exchange difference on translation to $	-		334
At 31 December 2013	855,652,565	14,108	
At 1 January 2014	855,652,565		14,108
Issue by placing	182,688,427		2,849
Issue in lieu of Director's fees	3,074,331		52
Exercise of options	5,187,000		86
Exchange difference on translation to $	-		(839)
At 31 December 2014	1,046,602,323	16,256	

Exercise of options

During 2014, the Company allotted a total 5,187,000 new ordinary shares pursuant to the exercise of share options for total gross proceeds of $689.2 thousand (£415.0 thousand). Of this total, $86.1 thousand (£51.9 thousand) of the gross proceeds are included in share capital and the balance of $603.1 thousand (£363.1 thousand) is included in share premium. Details of the share options exercised are as follows:

Date of share issue	*Number of shares*	*Date options exercised*
29 January 2014	1,281,000	15 January 2014
29 January 2014	2,000,000	16 January 2014
20 February 2014	906,000	7 February 2014
24 February 2014	1,000,000	6 February 2014
	5,817,000	

Issue by placing

On 26 February 2014, following consultation with the Company's advisors, it was announced that 3,074,331 ordinary shares in the Company would be issued in lieu of $548 thousand (£350 thousand), representing the outstanding fees owed to Directors for their services during 2013, under each Director's terms of appointment. The shares were deemed to be allotted for cash at a market price of 11.38 pence, being the volume weighted average share price for the Company for the 30 day period prior to the date of the announcement. These shares were admitted to the market on 4th March 2014.

On 9 December 2014, the Company issued 182,688,427 new ordinary shares, each at a price of 4.50 pence per share raising $12.8 (£8.2 million) under the terms of the Subscription and Open Offer dated 18 November 2014. The cost of the placement totalled $512.8 thousand (£328.8 thousand) resulting in net proceeds of $12.3 million (£7.9 million). $2.8 million (£1.8 million) of the net proceeds are included in share capital and the balance of $9.5 million (£6.1 million) is included in share premium.

Warrants

The placements of October 2012 and November 2012 were combined with the issue of warrants. Subscribers for the new ordinary shares have been issued with three-quarters of a warrant for every such new ordinary share so subscribed (with fractional entitlements rounded down to the nearest whole warrant). A total of 24,705,000 warrants have been issued pursuant to the placements and subscription. The warrants are exercisable into ordinary shares on a one-for-one basis at a price equal to a 10 % premium to the placing price at any time up to four years from the subscription date. The warrants are non-transferable save in limited circumstances.

These warrants are classified as an equity instrument under IAS 32 as they are fixed for fixed (i.e. the subscriber can subscribe for a fixed number of shares in exchange for a fixed price (the subscription price)), and there are no variables to this under the warrant instruments. As an equity instrument the warrants are within the scope of IAS 32 but outside the scope of IAS 39 "*Financial Instruments - Recognition and Measurement*" and therefore changes in the fair value are not recognised in the financial statements.

The total number of warrants over ordinary shares outstanding at December 31, 2014 was as follows:

Date of grant		*No of warrants*	*Exercise price (pence)*	*Remaining contractual life (years)*
31 October 2012	Directors	2,065,263	24.75	1.84
	Other subscribers	19,699,737	24.75	1.84
30 November 2012	Other subscribers	2,940,000	28.05	1.92
		24,705,000		

23. Non-controlling interest

GROUP

(Thousands of $)	*Amount*
At 1 January 2014	1,082
Share of operating losses - Lomada de Leiva	(335)
At 31 December 2014	$ 747

On 14 October 2011, Patagonia Gold, PGSA and Fomicruz entered into the Fomicruz Agreement (Note 12). Pursuant to the Fomicruz Agreement, Fomicruz contributed to PGSA the rights to explore and mine approximately 100,000 hectares of Fomicruz's mining properties in Santa Cruz Province in exchange for a 10% equity interest in PGSA.

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

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

24. Financial instruments

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

Financial assets

	GROUP		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Available-for-sale financial assets	$ 18	$ 29	$ 18	$ 29
Cash and cash equivalents	8,132	2,100	4,884	1,743
	$ 8,150	$ 2,129	$ 4,902	$ 1,772

Financial liabilities

	GROUP		*COMPANY*	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Financial liabilities measured at amortised cost	$ 18,028	$ 21,652	$ 449	$ 3,189

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

Financial instruments measured at fair value

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

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

Available-for-sale financial assets are listed equity securities denominated in GBP and are publicly traded on the AIM market. Fair values have been determined by reference to their quoted bid prices at the reporting date.

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

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

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

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

(Thousands of $)	*Level 1*	*Level 2*	*Level 3*	*Total*
As at 31 December 2014				
Listed securities	$ 1,810	$ -	$ -	$ 1,810
As at 31 December 2013				
Listed securities	$ 29	$ -	$ -	$ 29

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

Capital management

The Group's capital management objectives are:

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

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

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

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

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

Gold price
The market price of gold is one of the most significant factors in determining the profitability of the Group's operations. The price of gold is subject to volatile price movements over short periods of time, especially in the current market environment, and is affected by numerous industry and macro-economic factors that are beyond the Group's control. In 2014 the price ranged from $1,142 to $1,385 per ounce, with an average market price of $1,266 per ounce (2013: $1,530 per ounce). The Group's policy is to sell gold at prevailing market prices. No financial instruments have exposure to gold prices.

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

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

(Thousands of $)	*2014*	*2013*
Gold	$ 3,588	$ 1,018

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

The presentational currency of the Group is $. The functional currency of Patagonia Gold is GBP. As at 31 December 2014, Patagonia Gold held cash balances denominated in GBP, $ and Canadian dollars ("CAD") and had trade and other payables denominated in GBP, and Australian dollars ("AUD").

The functional currency of PGSA is the AR$. As at 31 December 2014, PGSA held cash balances denominated in AR$, $ $, CAD and GBP.

The functional currency of Minera Minamalu S.A. ("MMSA") is AR$. As at 31 December 2014, MMSA held cash balances denominated in AR$.

Financial assets and liabilities held by group companies in currencies other than the particular company's functional currency are subject to foreign currency risk. During the year ended 31 December 2013, the GBP/$ exchange rate experienced a fluctuation of 10% from its lowest to highest levels. Based on $ financial assets and liabilities at 31 December 2013 held by companies whose functional currency is other than $, if the $ weakened/strengthened by 10% against the functional currency exchange rate of each Group company at 31 December 2013, and all other variables held constant, this would have the following impact on the Group's net loss for the year:

Foreign currency rate weakened

(Thousands of $)	*2014*	*2013*
(Decrease) / increase in net loss for the year	*$* (59)	*$* 216

Foreign currency rate strengthened

(Thousands of $)	*2014*	*2013*
(Increase) / decrease in net loss for the year	*$* (77)	*$* 265

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

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

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

Interest earning balances were held in GBP and $. The weighted average interest rate for GBP was 0.20% (2013: 0.31%) and for $ was 0.60% (2013: 0.80%). If interest rates in 2014 had been 10% higher or lower with all other variables held constant, the impact on net loss for the year would not have been material on the finance income recorded during 2014.

Liquidity risk

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

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

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

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

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

25. Operating lease commitments

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

GROUP AND COMPANY

(Thousands of $)	*2014*	*2013*
Operating leases which expire:		
Within one year	*$* 178	*$* 217
Within two to five years		313
After five years	169	-
	$ 347	*$* 530

The Group has a number of operating lease agreements involving office and warehouse space with maximum terms of three years. In 2014, no operating lease payments were recognised as an expense within exploration costs (2013: $0.2 million).

26. Related parties

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

	2014	*2013*

(Thousands of $)	*Notes*		
Landore Resources Limited	(i)	$ 150	$ 144
Cheyenne S.A.	(ii)	75	60
MB Holding S.A.	(iii)	11	12
Agropecuaria Cantomi S.A.	(iv)	124	48
Lusemana S.A.	(v)	-	37
El Salvador 4040 S.A.	(vi)	-	37

(i) During the year 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 31 December 2014 of $30 thousand (31 December 2013: $54 thousand). Landore is a related party because William H. Humphries is a Director and shareholder of that company.

(ii) During the year 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 year 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.

In 2011, PGSA moved to new office space owned by three companies, Agropecuaria Cantomi, S.A., Lusemana S.A., and El Salvador 4040 S.A.

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

(v) During 2013 the Group paid Lusemana S.A. ("Lusemana") for the provision of an office in Buenos Aires, no payments were made in 2014. Lusemana is a related party because Diego Miguens is a shareholder and because of his family relationship with Carlos J. Miguens.

(vi) During 2013 the Group paid El Salvador 4040 S.A. ("El Salvador 4040") for the provision of an office in Buenos Aires, no payments were made in 2014. El Salvador 4040 is a related party because Cristina Miguens is a shareholder and because of her family relationship with Carlos J. Miguens.

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

27. Share-based payments charge

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

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

	2014 Weighted average exercise price pence	*$*	*2014 Number of options*	*2013 Weighted average exercise price pence*	*$*	*2013 Number of options*
Outstanding at the beginning of the year	15.46	$0.242	84,070,000	23.81	$0.385	76,445,000
Granted during the year	7.875	0.130	7,000,000	11.99	0.188	10,100,000
Exercised during the year	8.00	0.132	(5,187,000)	8.75	0.137	(1,825,000)
Lapsed during the year	14.75	0.243	(500,000)	13.65	0.214	(650,000)
Outstanding and exercisable at the end of the year	15.30	$0.238	85,383,000	15.46	$0.242	84,070,000

Options outstanding at 31 December 2014 have an exercise price in the range of $0.107 (6.875 pence) per option to $0.963 (62.00 pence) per option and a weighted average contractual life of 6.69 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.

	2014	*2013*
Weighted average share price	9.19p ($0.143)	20.26p ($0.334)
Exercise price	9.19p ($0.143)	19.75p ($0.326)
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	47.49%	52.07%
Dividend yield	nil	nil
Option life (maximum)	10 years	10 years
Risk free interest rate (based on national government bonds)	0.5%	0.5%

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

All options are equity 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 $)	*2014*	*2013*
New options granted in the year	$ 555	$ 1,619
Re-priced share options granted in prior years	-	652
	$ 555	*$ 2,271*

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

The total number of options over ordinary shares outstanding at 31 December 2014 was as follows:

Date of grant	*Employees entitled*	*No of options*	*Exercise price (pence)*	*Remaining contractual life (years)*
22 June 2005	Senior management and employee	125,000	7.5	0.47
6 December 2005	Senior management	100,000	8.0*	0.93
17 May 2006	Senior management	200,000	14.5	1.38
1 March 2007	Employees	75,000	6.875	2.17
23 May 2007	Senior management	200,000	8.0*	2.39
5 June 2007	Director and employees	1,100,000	8.0*	2.43
5 June 2007	Employee	25,000	10.5	2.43
3 June 2008	Director and employees	1,125,000	8.0*	3.42
9 June 2009	Employees	1,175,000	12.0	4.44
23 June 2009	Directors and senior management	17,913,000	12.25	4.48
17 June 2010	Directors and employees	5,850,000	15.00	5.47
1 August 2010	Employee	300,000	15.00	5.59
10 February 2011	Directors	5,500,000	11.00***	6.12
21 February 2011	Senior management	800,000	11.00***	6.15
9 May 2011	Employees	500,000	43.50	6.36
13 May 2011	Directors and senior management	4,400,000	11.00***	6.37
24 May 2011	Senior management	1,000,000	39.00	6.40
10 June 2011	Employees	1,250,000	11.00***	6.45
10 June 2011	Employees	925,000	40.00	6.45
15 August 2011	Employee	200,000	62.00	6.63
1 September 2011	Senior management	500,000	11.00***	6.67
1 November 2011	Directors	750,000	11.00***	6.84
1 November 2011	Directors	750,000	50.25	6.84
6 December 2011	Employee	20,000	54.00	6.94
31 January 2012	Directors	4,500,000	11.00***	7.09
1 July 2012	Senior management	1,500,000	25.00	7.50
3 December 2012	Senior management and employees	3,000,000	22.75	7.93
9 January 2013	Directors	14,500,000**	22.75	8.03
27 February 2013	Senior management	1,000,000	15.50	8.16
12 June 2013	Employee	150,000	10.50	9.45
12 September 2013	Directors	1,500,000	11.00	9.70
19 September 2013	Director and senior manager	6,000,000	11.75	9.72
10 October 2013	Employees	1,450,000	11.75	9.78
25 July 2014	Director and senior management	7,000,000	7.875	9.57
		85,383,000		

* On 19 January 2009 the Board of Directors agreed, following a recommendation from the Company's Remuneration Committee and subsequent approval by shareholders at the Company's Annual General Meeting of 9 June 2009, to re-price certain outstanding share options that have been issued to employees who remain within the Group in order to incentivise those individuals and to reflect a more realistic price level given the then current market in the Company's shares. A total of 16,787,000 share options were re-priced to 8p, being a 10% premium to the mid-market price at close of business on 19 January 2009, of which 7,712,000 have not

yet been exercised. The fair value of re-priced options is determined using the same assumptions as for new share options issued in the year as presented above.

** On 9 January 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 the year end.

*** On 29 July 2013 the Board of Directors agreed, following approval by shareholders at the General Meeting of the same date, to re-price certain outstanding share options that have been issued to Directors and employees who remain within the Group in order to incentivise those individuals and to reflect a more realistic price level given the then current market in the Company's shares. A total of 17,700,000 share options were re-priced to 11p, being a 10% premium to the 30 day volume weighted average share price of the Company for the period ended 10 July 2013, none of which have yet been exercised.

28. Auditor's remuneration

	GROUP		COMPANY	
	2014	*2013*	*2014*	*2013*
(Thousands of $)				
Fees payable to the Company's auditor for the audit of the consolidated annual accounts	110	133	15	18
Fees payable to the Company's auditor and its associates for other services:				
- Tax	9	12	9	12
- Other	3	3	-	-

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

29. Financial commitments

Property, plant and equipment

During 2014, the Group entered into purchase commitments totalling $0.5 million (31 December 2013: $3.5 million) related to the purchase of heavy duty mining equipment. Commencing upon receipt of shipment, instalments are payable semi-annually over a two-year period.

Fomicruz Agreement

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

Barrick Agreement

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

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

30. Contingent liability

As shown in Note 21, provisions at 31 December 2014 include amounts provided in relation to two contingent liabilities.

Road Traffic Accident

In October 2011 and March 2012, following a fatal road traffic accident in Argentina, compensation claims were made outside of the life insurance policy held by PGSA. These are non-judicial claims against PGSA that have been partially settled through a mediation process among PGSA, the automobile insurance company, and the claimants. According to those settlement agreements, the automobile insurance company paid the agreed compensations to the claimants, while PGSA committed to afford some of the court expenses and settlement fees. On October, 7th, 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 $ 0.246 million (AR$ 2.1 million) plus interest. As at December 31, 2014, the claim relating to loss of economic aid and expenses has been covered by the labor risk insurance company of PGSA. So, as at that date, the claim remains partially outstanding with respect to the moral damages item and a provision of $ 55 thousand (AR$ 470 thousand) has been recorded.

Water Department Assessment

In September 2012, the Water Department of the Province of Santa Cruz imposed a $ 0.11 million (AR$ 0.72 million) assessment on PGSA alleging PGSA had been using water without the Water Department's authorisation and delayed filing of monthly reports on volume of water used. PGSA believes the assessment is not justified and has filed an appeal. The fine has been confirmed by the Authority, while PGSA filed a petition for payment facilitation plan in May 2013. On 7 February 2014 this petition was granted in 18 consecutive instalments of AR$ 0.04 million each with a 1.20% monthly interest calculated on the total debt. As 31 December 2014, ten instalments have been paid, the remaining instalments are included under other payables.

31. Subsequent events

Share capital

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

END

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