



Patagonia Gold PLC : Half Yearly Financial Statements

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

Half Yearly Financial Statements

Patagonia Gold Plc (AIM:PGD), the mining company with gold and silver projects in the southern Patagonia region of Argentina, Chile and Uruguay, is pleased to announce its unaudited interim results for the six months ended 30 June 2016. The Company will host a webcast and presentation today at 2.00 p.m. UK time on the interim results. See below for details.

Financial Highlights

Gross revenues of US\$21.6 million for H12016 (1H2015: US\$14.0 million), driven by improved production at Lomada and increased gold price

Net profit attributable to the Company of US\$2.2 million (1H2015: net loss of US\$5.8 million) as operating costs at Lomada significantly reduced

Operating Highlights

Mining operations at Lomada ceased at end of May, although leaching of gold continues and production will continue until the year end

- Production of 16,889 of Au to the end of June 2016 (1H2015: 9,944 oz / FY2015: 21,521 oz)
- Cash costs reduced significantly to US\$591/oz (1H2015: US\$1,165/oz)

Development of the initial open pit mine at Cap-Oeste completed on time and within budget

- First ore already loaded on to the pad and first gold sales expected during October 2016
- Initial 24 month life of mine with ability to increase project life with the development of the two underground projects at Cap-Oeste and COSE
- Continued evaluation of the Cap-Oeste and COSE underground projects, with a view to them being developed as one operation

At La Manchuria JV options are being evaluated to realise cash flow and advance exploration

Exploration work continues across the Company's property portfolio, with first exploration works commenced in Uruguay

Corporate Highlights

In February, Company entered into an Earn-in Agreement with Trilogy Mining Corporation to acquire a 100% interest in two gold exploration projects in Uruguay

US\$10 million financing completed in May to fund the development of the Cap-Oeste open pit mine and heap leach pad and to provide ongoing working capital

Christopher van Tienhoven, CEO commented: "The improved political and economic environment in Argentina has had a very positive effect on our business and has enabled us to significantly reduce operating costs and improve efficiencies. We are delighted that the initial open pit mine at Cap-Oeste is coming into production on time and within budget and the outlook for the second half looks promising. Our pipeline of projects and exploration targets, coupled with the more favourable economic climate, stands us in good stead to continue to grow the Company and create value for our shareholders".

The unaudited interims report for the six months ended 30 June 2016 will also shortly be available on the Company's website at www.patagoniagold.com.

Webcast Details

The presentation will be made available on the Company's website (www.patagoniagold.com) immediately prior to the webcast.

DATE: Thursday, 29 September 2016

TIME: 14.00 BST

WEBCAST: <http://webcasting.brrmedia.co.uk/broadcast/57e3bbf7c8dedf816611137b>

A recording of the webcast will subsequently be made available on the Company's website - www.patagoniagold.com.

About Patagonia Gold

Patagonia Gold Plc is a mining company that seeks to grow shareholder value through exploration, development and production of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on three projects: the flagship Cap-Oeste/COSE project, the La Manchuria project and the Lomada heap leach project. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina and Chile, and is one of the largest landholders in the province of Santa Cruz.

For more information, please contact:

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This announcement contains inside information.

CHAIRMAN'S INTRODUCTION

I am pleased to present Patagonia Gold Plc's ("Patagonia" or the "Company") unaudited interim report for the six months ended 30 June 2016.

Patagonia Gold has had a good start to 2016 following the recent economic and political changes in Argentina. The removal of export royalties on doré and restriction on imports, a more competitive exchange rate and a higher than projected gold price have had a positive impact on the Company, with revenues of US\$21.6 million (1H2015: US\$14.0 million) and a net profit attributable to the Company of US\$2.2 million (1H2015: Net loss of US\$5.8 million) for the first six months of the year.

Having reached the end of its pit life, mining at Lomada de Leiva ("Lomada") was suspended, as planned, at the end of May 2016. However, leaching of gold continues and will continue at least until the end of the year. It is important to note that Lomada has exceeded production targets on a consistent basis since the start of the year.

In May, the Company successfully concluded a US\$10.0 million financing to commence the development of the open pit mine at Cap-Oeste. The initial project consists of mining the oxide ore and treating it through a heap leach plant similar to that at Lomada. Total production from the initial project at Cap-Oeste, which has an expected life of mine of 24 months, is estimated to be 82,000 oz AuEq. Alternatives on how to mine and treat the sulphide ore at Cap-Oeste and COSE are currently being investigated and so far, encouraging results have been obtained.

The Company continues to seek to expand its resource base and exploration activities have commenced on its other properties in Santa Cruz Province namely El Bagual and Sarita.

In addition, as announced on 2 February 2016, the Company exercised its option to acquire, subject to certain milestones being achieved, up to 100% of Trilogy Mining Corporation's ("Trilogy") Carreta Quemada and Chamizo exploration gold projects in Uruguay ("Trilogy Option"). The Trilogy Option represents a good opportunity for the Company to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks with initial exploration work having already commenced.

Details of the Company's other projects and activities in the year to date, are set out in more detail in the following Operations Report.

On 1 July 2016, the Company announced the resignation of Non-Executive Directors Ed Badida and Glenn Featherby. The Board has greatly appreciated the experience and support they have both contributed to the development of the Company.

These are exciting times for the Company with the changes being introduced in Argentina and the upturn in the gold sector. We are indebted to our shareholders for their continued support and our grateful thanks go also to our team for all their continued hard work and dedication. Our commitment to creating shareholder value through the development of our portfolio of properties remains our core focus going forward.

Carlos J Miguens
Non-Executive Chairman
28 September 2016

OPERATIONS REPORT

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

Company's Properties

The Lomada de Leiva gold project (the "Lomada Project" or "Lomada") is located in the La Paloma property block approximately 120 kilometres to the north of the El Tranquilo property block. The Lomada pit mining operation ceased as of May 2016. Leaching of the heap leach stocks continues with production now forecast to carry on only until the end of the year as production has decreased faster than initially anticipated. However, as a result of the recent increases in the gold price and the removal of export royalties on doré, the Company is reassessing the viability of resources located in the southern end of the Lomada pit previously considered uneconomic.

The net profits obtained from production at Lomada are being utilised to meet a portion of the operating capital requirements for the construction of the open pit operations at Cap-Oeste and to fund ongoing exploration work across the Company's other projects. Patagonia's flagship project is the Cap-Oeste gold and silver project (the "Cap-Oeste Project") located in the El Tranquilo property block approximately 65 kilometres southwest of the town of Bajo Caracoles in Santa Cruz. Development of the Cap-Oeste open pit mine has now commenced with first gold sales from the project expected in October 2016.

Two kilometres along strike from the Cap-Oeste Project is the smaller but strategically vital Cap-Oeste South-East Project (the "COSE Project"). The Company plans to commence development and mining of the COSE Project in conjunction with the Cap-Oeste underground mine as one expanded project.

The La Manchuria property block is located approximately 50 kilometres to the southeast of the El Tranquilo property block and hosts the La Manchuria Project. JV options are currently being evaluated to realise cash flow and advance exploration on the block.

Exploration of the El Tranquilo block was halted in November 2015. First pass exploration of regional permits has been initiated together with first pass grass roots investigations at Las Lajas and Los Toldos. Follow-up work at La Manchuria and Sarita has also commenced.

Initial exploration work has also commenced across the Carreta Quemada and Chamizo projects in Uruguay. The first nine hole programme is now completed with assays pending and scheduled for October.

The JORC compliant resources delineated as at 31 December 2015 are listed in the table below:

INDICATED RESOURCES							
Area	Indicated	Grade (g/t)			Metal (oz)		
Name	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	425,705	2.95	135	4.07	40,380	1,848,211	55,684
COSE	49,000	27.8	1,466	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*	4,000,465	0.48	NA	NA	61,919	NA	61,919
TOTAL Indicated					1,001,299	30,580,211	1,495,603

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

INDICATED + INFERRED RESOURCES							
					Au	Ag	AuEq**
Total indicated and inferred (oz)					1,424,360	34,075,447	2,061,011

*Lomada resource has not been depleted during 2016 to take account of production during the period, pending completion of third party estimation

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

Argentina

Lomada de Leiva Project

2016 has seen a dramatic improvement in cash costs and production from the Lomada Project, with 16,889 ounces of gold produced to the end of June 2016 (1H2015: 9,944 ounces / FY2015: 21,521 ounces) at a cash cost of US\$591/oz (1H2015: US\$1,165/oz / FY2015: US\$1,196/oz).

As a result of the improved production, increased gold price and reduced costs, in the first half of 2016 the Lomada Project achieved gross revenues of US\$21.60 million (1H2015: US\$14.05 million / FY2015: US\$26.13 million) and a net profit of US\$9.4 million (1H2015: Net loss of US\$0.1 million / FY2015: Net loss of US\$4.0 million).

The significant increase in production and reduction in costs experienced in the year to date, are predominantly a result of the dramatic

improvement in machine availability. This is mainly due to import restrictions on spares having been lifted towards the end of 2015, which has enabled the Company to improve onsite maintenance and management of its plant, and thereby reduced the requirement to hire in equipment at significant additional cost.

As previously announced, operations at Lomada were suspended in May 2016 with the entire mining fleet relocated to the Cap-Oeste Project. The focus of the Company now is to reduce operating costs at Lomada.

As production from Lomada has decreased faster than originally expected, the heap leach pad will only continue to operate until the end of the year. Currently the main heap leach pad has received 85% of its design irrigation quota.

Exploration on the 40,000 hectare La Paloma block is ongoing and detailed ground magnetics together with a geochemical, trenching and drilling programme will be continuing throughout 2016. The objective is to replenish and expand the 30,000 ounces of production per annum and explore the previously under-explored La Paloma block. In addition, as stated above, following the recent increases in the gold price and the removal of export royalties, the Company is reassessing the viability of resources located in the Lomada pit previously considered uneconomic.

Cap-Oeste Project

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

Following the updating of the Pre Feasibility Study (PFS) for Cap-Oeste funded by the US\$10.0 financing completed in May 2016, the Company has now completed the construction of the initial low cost open pit mine at Cap-Oeste with a heap leach processing facility similar to that at Lomada. The optimised pit design, carried out on the existing JORC compliant Measured and Indicated Resources, contains a total of 5.6Mt of waste and 1.55Mt @ 2.3g/t Au and 85g/t Ag for a AuEq (69:1) of 3.53 g/t. The initial life of mine is expected to be 24 months, with forecast production estimated to be approximately 82,000 oz AuEq and an operating cost forecast to be within the range of US\$800 to US\$850 per oz, which includes the capital amortisation and working capital component of US\$4.5 million.

Construction of the heap leach pad has now been completed and commissioned on time and within budget with the first ore now being irrigated and first gold sales expected during October 2016.

Underground mine development studies have been completed on the COSE and Cap-Oeste orebodies which contain deeper cyanide-leachable resources. Processing options remain either the possibility to agglomerate and heap leach the ore or assess third party treatment routes.

In respect of the underground mine at Cap-Oeste, metallurgical test work is continuing on the Arsenopyrite hosted mineralisation and recently completed flotation test work reported a 92.3% recovery of Au into a 62g/t cleaner concentrate with silver assays still pending. The concentrate will now be subjected to a series of leach tests with oxygen addition and fine grinding of the concentrate. Should the outcome of this test work show it to be economically viable, there is a potential to unlock high grade refractory ounces in the deeper section of the Cap-Oeste resource and thereby increase the project mine life to six years through the development of the two underground projects at Cap-Oeste and COSE.

COSE Project

Sourcing of used and new underground equipment for the development of the COSE and Cap-Oeste declines has commenced and a review of personnel available locally to develop an underground team for the mining of the projects is also under way. Full designs for both the COSE and Cap-Oeste projects have been completed and a renewal of the permit for the decline construction for COSE is in progress.

La Manchuria Project

PGSA is currently evaluating the possibility to JV the La Manchuria project with third parties in order to realise some cash flow from the deposit and to increase the exploration spend on existing targets within the Manchuria block. The block is highly prospective with over 145,000oz AuEq of JORC compliant Indicated and Inferred resources already delineated at La Manchuria.

To date no deal has been finalised and the market will be updated in due course.

Exploration Projects

Active greenfields and brownfields exploration has continued throughout the winter months on projects in Santa Cruz province, Argentina and in Uruguay in preparation for drill testing of priority targets before the end of the year.

Argentina

Regional geological mapping and surface sampling has been undertaken at the Los Toldos project in Santa Cruz, with particular attention to the El Bagual prospect that was inadequately drill tested by Barrick Gold Corporation during 2006 when drilling was curtailed prematurely due to budget constraints. A four hole diamond drilling programme is scheduled to test the prospect during November.

Mapping and surface sampling have been completed over the extensive Las Lajas project in central Santa Cruz.

Trenching and rotary air blast drilling at the Cerro Vasco prospect, located at the north of the La Paloma block, has confirmed the extension of the Brecha La Emilia fault zone to the south, beneath Quaternary gravels, as interpreted from ground magnetic and induced polarisation geophysical surveys completed at the prospect. A reverse circulation drilling programme is planned to test targets beneath the gravels before the end of the year.

At the El Tranquilo project, reverse circulation drilling is scheduled to commence at the beginning of October at the Monte Leon prospect, to delineate oxide gold mineralisation that may be scheduled into the Cap-Oeste heap-leach operation after the Cap-Oeste open pit reserves have been depleted.

Channel sampling of low sulphidation, silver bearing veins has been undertaken during the winter months at the Sarita project, located approximately 10 km north-west of Mina Martha silver mine. An induced polarisation geophysical survey is proposed to better define drill targets for a potential diamond drilling programme.

A thorough review of all the Company's projects in Chubut and Rio Negro provinces has been undertaken during 2016 to prioritise the tenure based on prospectivity and the possibility of improvements in the legislative situation for selected areas within these jurisdictions. New target areas have also been identified, with non-prospective areas likely to be relinquished as the Company seeks to rationalise its tenement portfolio in these provinces.

Uruguay

As a result of the Trilogy Option, the Company can acquire up to 100% of Carreta Quemada, which covers an area of 388km², and Chamizo, which covers an area of 70km², both located on the San José Greenstone Belt within the early Proterozoic Piedra Alta Terrane, approximately 100 kilometres from Montevideo, the capital of Uruguay.

Following the exercise of the option, exploration activity has escalated at the San José Gold Project in Uruguay. Geological mapping, soil and stream sediment geochemistry, ground magnetic and induced polarisation surveys have been, and continue to be conducted to define drill targets. Strong gold anomalism, reported from stream sediment and soil geochemical sampling has been reinforced by coincident anomalism in the geophysical surveys. Trenching and a nine-hole diamond drilling programme were completed at the Zona 13 prospect during August and September, with laboratory results anticipated in October. Subject to the results of the initial drilling and the requisite regulatory approvals being obtained, the Company will look to undertake further drilling in due course. Applications have been lodged for Prospecting Permits over two new project areas, Colla and Nueva Helvecia, located approximately 50km west of the Chamizo area. Sporadic exploration during the 1980s intersected ore-grade gold values in these very poorly exposed areas.

Social and economic responsibility

Patagonia maintains a strong awareness of its responsibilities towards the environment and existing social structures. Accordingly, attention is given to ensuring that all exploration and development work is carried out strictly within the guidelines of the relevant mining and environmental acts. Patagonia attempts, where possible, to hire local personnel and use local contractors and suppliers.

Matthew Boyes

Chief Operating Officer

28 September 2016

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended	Six months ended	Year ended
		30 June 2016 (unaudited)	30 June 2015 (unaudited)	31 December 2015 (audited)
		\$'000	\$'000	\$'000
Continuing operations				
Revenue		21,601	14,047	26,128
Cost of sales		(11,998)	(13,960)	(29,731)
Gross profit / (loss)		9,603	87	(3,603)
Exploration costs		(1,162)	(3,562)	(5,491)
Administration costs				
Share-based payments charge	23	(44)	(32)	(97)
Other administrative costs	5	(4,186)	(3,396)	(11,304)
		(4,230)	(3,428)	(11,401)
Finance income		16	875	2,832
Finance costs		(617)	(323)	(782)
Profit / (Loss) before taxes		3,610	(6,351)	(18,445)
Income tax benefit/(charge)		(1,142)	62	4,051
Profit / (Loss) for the period		2,468	(6,289)	(14,394)
Attributable to non-controlling interest	20	277	(503)	(1,310)
Attributable to equity share owners of the parent		2,191	(5,786)	(13,084)
		2,468	(6,289)	(14,394)

Other comprehensive income (loss)**Items that will not be reclassified to profit or loss:**

Gain / (Loss) on revaluation of available-for-sale financial assets	17	3	(9)
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Items that may be reclassified subsequently to profit or loss:

Exchange loss on translation of foreign operations	(1,614)	(1,620)	(5,521)
Other comprehensive loss for the period	(1,597)	(1,617)	(5,530)
Total comprehensive income (loss) for the period	871	(7,906)	(19,924)
Total comprehensive income (loss) for the period attributable to:			
Non-controlling interest	277	(503)	(1,310)
Owners of the parent	594	(7,403)	(18,614)
	871	(7,906)	(19,924)
Net profit / (loss) per share	7		
Basic profit / (loss) per share	0.002	(0.01)	(0.01)
Diluted profit / (loss) per share	0.002	(0.01)	(0.01)

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

Condensed Consolidated Interim Statement of Financial Position

		As at 30 June 2016 (unaudited)	As at 30 June 2015 (unaudited)	As at 31 December 2015 (audited)
	Note	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	9	10,884	9,730	6,327
Mineral properties	8	5,425	4,795	3,280
Mining rights	10	3,538	3,638	3,588
Available-for-sale financial assets	13	22	20	7
Investments	13	325	-	-
Other receivables	11	6,176	10,208	7,767
Deferred tax asset		3,691	2,810	4,790
		30,061	31,201	25,759
Current assets				
Inventory	14	2,593	1,737	2,253
Trade and other receivables	12	5,574	1,703	455
Cash and cash equivalents	15	2,304	2,620	1,694
		10,471	6,060	4,402
Total assets		40,532	37,261	30,161
LIABILITIES				
Current liabilities				
Short-term loans	17	11,482	7,207	13,346
Trade and other payables	17	7,577	6,851	6,371
		19,059	14,058	19,717
Non-current liabilities				
Long-term loans	18	1,386	2,035	1,681
Provisions	18	525	1,059	607
		1,911	3,094	2,288
Total liabilities		20,970	17,152	22,005
EQUITY				
Share capital	19	20,847	16,659	15,690
Share premium account		142,450	163,616	154,090
Currency translation reserve		5,260	(19,403)	(11,746)
Share-based payment reserve		15,616	18,238	17,238
Accumulated losses		(164,325)	(159,245)	(166,553)
Equity attributable to shareholders of the parent		19,848	19,865	8,719
Non-controlling interest	20	(286)	244	(563)
Total equity		19,562	20,109	8,156

(loss) for the period	(2,028)	(14,946)	17,006	(1,646)	2,208	594	277	871
At 30 June 2016	20,847	142,450	5,260	15,616	(164,325)	19,848	(286)	19,562

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

Condensed Consolidated Interim Statement of Cash Flows

		Six months ended	Six months ended	Year ended
	Note	30 June 2016 (unaudited) \$'000	30 June 2015 (unaudited) \$'000	31 December 2015 (audited) \$'000
Operating activities				
Net profit (loss) for the period		2,468	(6,289)	(14,394)
Adjustments for:				
Finance income	13	(16)	(875)	(2,832)
Finance costs		617	323	782
Depreciation and amortization	8,9&10	1,262	1,343	2,728
Share issue in lieu of payables		-	-	619
Decrease in available for sale financial assets		-	1,792	1,792
(Increase)/decrease in inventory		(340)	1,788	1,272
(Increase)/decrease in trade and other receivables		(3,528)	1,375	5,064
Decrease/(increase) in deferred tax asset		1,099	(116)	(2,096)
Decrease/(increase) in trade and other payables	17	1,206	(1,390)	(1,870)
Decrease in provisions	18	(82)	(74)	(526)
Share-based payments charge	23	44	32	97
Net cash used in operating activities		2,730	(2,091)	(9,364)
Investing activities				
Finance income		16	875	2,832
Purchase of property, plant and equipment		(6,373)	(281)	(454)
Additions to mineral properties		(2,746)	(132)	(93)
Increase in investments		(325)	-	-
Proceeds from disposal	9	-	512	282
Net cash used in investing activities		(9,428)	974	2,567
Financing activities				
Finance costs		(617)	(323)	(782)
Increase in loans	17&18	15,925	5,710	18,516
Repayment of loans	17&18	(16,960)	(6,957)	(14,512)
Proceeds from issue of share capital	19	10,778	619	-
Transaction costs of placing	19	(287)	-	-
Net cash from financing activities		8,839	(951)	3,222
Net decrease in cash and cash equivalents		2,141	(2,068)	(3,575)
Cash and cash equivalents at beginning of year		1,694	5,588	5,588
Effects of exchange rate fluctuations on cash and cash equivalents		(1,531)	(900)	(319)
Cash and cash equivalents at end of period	15	2,304	2,620	1,694

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

The financial information represents the results of the parent company Patagonia Gold Plc ("Patagonia Gold" or the "Company") and its subsidiaries, collectively known as the "Group".

1. Basis of preparation

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Group's unaudited condensed consolidated interim financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). This condensed consolidated financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 14 April 2016. These financial statements which contained an unqualified audit report under Section 495 of the Companies Act 2006, with an emphasis of matter paragraph on the carrying value of investments in subsidiary companies, did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006, and have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies

Act 2006.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements. There has been no change in critical accounting estimates from year-end.

2. Going concern

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

Patagonia Gold has successfully transformed itself from a pure exploration company to fully fledged producer. Until Lomada de Leiva started commercial production in 2013 Patagonia Gold's focus was exploration work in its portfolio of properties in Chubut, Rio Negro and Santa Cruz. The Company started a small heap leach operation at Lomada de Leiva and to 30 June 2016 has produced a total of 81,647 ounces. Lomada had a relatively short life and in May 2016 the mining operation was suspended while exploration activity in the surrounding areas continues. Anticipating the end of the Lomada mine, the Company sought to advance the Cap-Oeste project through the construction of a heap leach operation similar to the one at Lomada. The capital cost of this project was estimated to be approximately \$13.3 million, which has been funded from a successful fundraising of \$10 million completed in May 2016 together with cash flow from Lomada and available credit lines. The development of the initial open pit mine at Cap-Oeste has been completed on time and within budget, with the first ore already having been loaded on to the pad and first gold sales expected during October 2016. The Directors believe that the cash flow generated from this project is considered sufficient to lower the Company's debt position while at the same time enabling it to continue with its exploration activities. In addition, the Company is looking into the development of COSE and the Cap-Oeste sulphide resources which would be financed through internal cash flow, supplier credit and other project financing alternatives.

3. Recent accounting pronouncements

The following IFRS standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2016 or later periods. The Company has not implemented early adoption:

- IFRS 11 'Accounting for Joint Arrangements', effective for annual periods beginning on or after 1 January 2016. The amendments to IFRS 11 provide specific guidance on accounting for the acquisition of an interest in a joint operation ('JO') that is a business, to address diversity in practice;
- IFRS 10, IFRS 12. IAS 28 "Investment Entities: Applying the Consolidation Exception", effective for annual periods beginning on or after 1 January 2016. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities;
- IAS 27 'Separate financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements; and
- IAS 1 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2016. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

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

4. Segmental analysis

Management do not currently regard individual projects as separable segments for internal reporting purposes with the exception of the Lomada Project, which commenced commercial production in Q3 2013 and the Cap-Oeste Project where construction work has been completed. All revenue in the period is derived from sales of gold and silver.

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

	Six months ended	Six months ended	Year ended
(Thousands of \$)	30 June 2016	30 June 2015	31 December 2015
Argentina and Chile ⁽¹⁾	(6,542)	(4,770)	(9,710)
United Kingdom	(385)	(1,371)	(569)
Canada	-	(21)	(52)
Argentina - Lomada Project	9,395	(127)	(4,063)
	2,468	(6,289)	(14,394)

(1) Segment represents other exploration projects.

Total assets

	As at	As at	As at
--	-------	-------	-------

(Thousands of \$)	30 June 2016	30 June 2015	31 December 2015
Argentina and Chile ⁽¹⁾	20,760	20,647	19,339
Argentina - Lomada Project	9,374	13,606	9,371
United Kingdom	998	1,447	352
Argentina - COSE Project	962	1,557	1,099
Argentina - Cap-Oeste Project	8,438	-	-
Canada	-	4	-
	40,532	37,261	30,161

(1) Segment represents other exploration projects.

Total liabilities

(Thousands of \$)	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Argentina and Chile ⁽¹⁾	13,972	10,316	12,706
Argentina - Lomada Project	2,389	6,127	4,399
United Kingdom	950	705	4,900
Argentina - COSE Project	-	-	-
Argentina - Cap-Oeste Project	3,659	-	-
Canada	-	4	-
	20,970	17,152	22,005

(1) Segment represents other exploration projects.

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

(Thousands of \$)	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Argentina ⁽¹⁾	1,162	3,562	5,491

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

From 1 September 2010 onwards, expenditures incurred at the Lomada Project are capitalised and disclosed as mineral properties - mining assets (See Note 8). From 1 April 2011 certain costs are included in inventory.

From 1 March 2011 onwards, expenditures incurred at the COSE Project are capitalised and disclosed as mineral properties - assets in the course of construction (See Note 8).

From 1 January 2016 onwards, expenditures incurred at the Cap-Oeste Project are capitalised and disclosed as mineral properties - assets in the course of construction (See Note 8).

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

5. Other administrative costs

(Thousands of \$)	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
General and administrative	1,277	1,438	4,275
Argentine statutory taxes	347	328	932
Professional fees	315	269	630
Payments under operating leases	61	96	177
Foreign exchange	1,459	568	4,902
Parent and subsidiary company Directors' remuneration	310	378	722
Profit on sale of assets	(71)	(1,475)	(1,465)
Depreciation charge	1,214	1,294	2,629
Amortisation of mining rights	50	49	99
Depreciation allocated to inventory	(845)	(932)	(1,862)
Depreciation allocated to mineral properties	(83)	-	-
Impairment of inventory	-	1,224	-
VAT expense/(income)	94	42	60
Consultancy fees	58	117	205

6. Remuneration of Directors and key management personnel

Parent company Directors' emoluments:

(Thousands of \$)	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Directors fees	193	241	433
Salaries	125	32	92
	318	273	525

In the six months ended 30 June 2016, the highest paid Director received \$125 thousand (six months ended 30 June 2015: \$57 thousand). This amount does not include any share-based payments charge.

Key management personnel emoluments:

(Thousands of \$)	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Share-based payments charge	44	32	97
Salaries	160	142	315
Other compensation, including short-term benefits	258	265	468
	462	439	880

7. Profit / (Loss) per share

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

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Profit/(loss) after tax (Thousands of \$)	2,191	(5,786)	(13,084)
Weighted average number of shares	1,556,918,389	1,047,855,280	1,053,955,080
Basic and diluted profit/(loss) per share (\$)	0.002	(0.01)	(0.01)

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

At 30 June 2016, there were 94,958,000 (30 June 2015: 95,258,000; 31 December 2015: 95,158,000) share options and 24,705,000 warrants (30 June 2015 and 31 December 2015: 24,705,000) in issue, which would have a potentially dilutive effect on the basic profit per share in the future.

8. Mineral properties

(Thousands of \$)	Mining assets	Surface rights acquired	Assets in the course of construction	Total
Cost				
At 1 January 2015	3,211	1,850	1,664	6,725
Additions	130	-	2	132
Disposals	-	-	-	-
Exchange differences	(192)	(122)	(109)	(423)
At 30 June 2015	3,149	1,728	1,557	6,434
Additions	-	-	-	-
Disposals	-	-	-	-
Exchange differences	(847)	(508)	(458)	(1,813)
At 31 December 2015	2,302	1,220	1,099	4,621
At 1 January 2016	2,302	1,220	1,099	4,621
Additions	-	-	2,746	2,746
Disposals	-	-	-	-
Exchange differences	(269)	(165)	(149)	(583)
At 30 June 2016	2,033	1,055	3,696	6,784
Amortization				
At 1 January 2015	1,534	-	-	1,534
Charge for the period	213	-	-	213
Exchange differences	(108)	-	-	(108)
At 30 June 2015	1,639	-	-	1,639

Charge for the period	248	-	-	248
Exchange differences	(546)	-	-	(546)
At 31 December 2015	1,341	-	-	1,341
At 1 January 2016	1,341	-	-	1,341
Charge for the period	208	-	-	208
Exchange differences	(190)	-	-	(190)
At 30 June 2016	1,359	-	-	1,359
Net book value				
At 30 June 2015	1,510	1,728	1,557	4,795
At 31 December 2015	961	1,220	1,099	3,280
At 30 June 2016	674	1,055	3,696	5,425

Mining assets

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

Surface rights

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

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

Assets in the course of construction

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

From 1 January 2016, exploration costs on the Cap-Oeste Project have been capitalised as mineral properties - assets in the course of construction, prior to the receipt of full permitting for extraction of the mineralisation.

9. Property, plant and equipment

(Thousands of \$)	Office equipment and vehicles	Machinery and equipment	Buildings	Plant	Improvements and advances	Total
Cost						
At 1 January 2015	606	8,707	777	8,810	69	18,969
Additions	106	105	-	70	-	281
Transfers	3	19	-	-	(22)	-
Disposals	(27)	(904)	-	-	-	(931)
Exchange differences	(19)	(572)	(51)	(579)	(5)	(1,226)
At 30 June 2015	669	7,355	726	8,301	42	17,093
Additions	47	53	-	36	37	173
Transfers	-	26	-	3	(29)	-
Disposals	(59)	-	-	-	-	(59)
Exchange differences	(109)	(2,125)	(214)	(2,418)	(18)	(4,884)
At 31 December 2015	548	5,309	512	5,922	32	12,323
At 1 January 2016	548	5,309	512	5,922	32	12,323
Additions	351	299	-	19	5,704	6,373
Transfers	-	28	-	-	(28)	-
Disposals	(52)	-	-	-	-	(52)
Exchange differences	(31)	(718)	(70)	(801)	(5)	(1,625)
At 30 June 2016	816	4,918	442	5,140	5,703	17,019
Depreciation						
At 1 January 2015	413	2,211	51	4,505	-	7,180
Disposals	(27)	(392)	-	-	-	(419)
Charge for the period	50	415	7	609	-	1,081
Exchange differences	(12)	(146)	(3)	(318)	-	(479)
At 30 June 2015	424	2,088	55	4,796	-	7,363
Disposals	(35)	-	-	-	-	(35)

Charge for the period	55	363	7	662	-	1,087
Exchange differences	(113)	(709)	(19)	(1,578)	-	(2,419)
At 31 December 2015	331	1,742	43	3,880	-	5,996
At 1 January 2016	331	1,742	43	3,880	-	5,996
Disposals	(52)	-	-	-	-	(52)
Charge for the period	54	270	5	675	-	1,004
Exchange differences	(4)	(247)	(7)	(555)	-	(813)
At 30 June 2016	329	1,765	41	4,000	-	6,135
Net book value						
At 30 June 2015	245	5,267	671	3,505	42	9,730
At 31 December 2015	217	3,567	469	2,042	32	6,327
At 30 June 2016	487	3,153	401	1,140	5,703	10,884

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

10. Mining rights

(Thousands of \$)	Amount
At 1 January 2015	\$ 3,687
Additions	-
Amortisation charge for the period	(49)
Exchange differences	-
At 30 June 2015	\$ 3,638
At 1 January 2015	\$ 3,687
Additions	-
Amortisation charge for the year	(99)
Exchange differences	-
At 31 December 2015	3,588
At 1 January 2016	\$ 3,588
Additions	-
Amortisation charge for the period	(50)
Exchange differences	-
At 30 June 2016	\$ 3,538

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

Fomicruz contributed to PGSA certain mining rights in exchange for a 10% equity interest in PGSA. Pursuant to IFRS 2 Share-based Payment, the mining rights acquired have been measured by reference to the estimated fair value of the equity interest given to Fomicruz. Management has estimated the fair value of the 10% interest in PGSA acquired by Fomicruz, on or about 14 October 2011 at \$4.0 million. In determining this fair value estimate, management considered many factors including the net assets of PGSA and the illiquidity of the 10% interest. This amount has been recorded as an increase in the equity of PGSA and as a mining right asset. In the consolidated financial statements, the increase in equity in PGSA has been recorded as non-controlling interest. The initial share of net assets of PGSA ascribed to the non-controlling interest amounted to \$4.0 million.

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

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

11. Other receivables

Non-current assets

	As at	As at	As at
(Thousands of \$)	30 June 2016	30 June 2015	31 December 2015
Recoverable VAT	5,878	9,889	7,549
Other receivables	298	319	218
	6,176	10,208	7,767

The Directors consider Recoverable VAT at 30 June 2016 to be recoverable in full based on post period-end approvals set by the Mining Secretary in Argentina.

The Directors have considered post year-end approvals set by the Mining Secretary in Argentina and consider the Recoverable VAT as at 30 June 2016 to be recoverable in full and no provision is considered necessary. The VAT balances receivable are normally due to the Group in less than one year, but these amounts have been classified as a non-current asset as management's on-going dialogue with the government indicate approval by the Mining Secretary and receipt of the funds may require a timeframe of more than one year.

12. Trade and other receivables

Current assets

	As at	As at	As at
(Thousands of \$)	30 June 2016	30 June 2015	31 December 2015
Other receivables	587	1,586	426
FOMICRUZ ⁽¹⁾	3,011	-	-
Prepayments and accrued income	21	92	24
UK Recoverable VAT	7	12	5
ARG Recoverable VAT	1,948	-	-
Recharge of costs owed by Landore Resources Limited	-	13	-
	5,574	1,703	455

(1) See Note 10.

All trade and other receivable amounts are short-term.

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

There are no past due debtors.

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

Available-for-sale financial assets

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

	As at	As at	As at
(Thousands of \$)	30 June 2016	30 June 2015	31 December 2015
Opening balance	7	18	18
Profit/(loss) for the period	15	2	(11)
Closing balance	22	20	7

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

(Thousands of \$)	Level 1	Level 2	Level 3	Total
As at 30 June 2016				
Listed securities	22	-	-	22
As at 30 June 2015				
Listed securities	20	-	-	20
As at 31 December 2015				
Listed securities	7	-	-	7

Finance Income

(Thousands of \$)	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Bank Interest	16	36	1
Income from sale of bonds	-	839	2,831
Finance income	16	875	2,832

Investments

In January 2016, Patagonia Gold entered into an option agreement with Trilogy Mining Corporation ("Trilogy") to acquire up to 100% of the San José Project in Uruguay. This joint venture business with Trilogy represents a great opportunity to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks.

14. Inventory

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

15. Cash and cash equivalents

(Thousands of \$)	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Bank and cash balances	2,242	2,320	1,617
Short-term deposits	62	300	77
	2,304	2,620	1,694

16. Finance lease obligations

(Thousands of \$)	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Within one year	11,482	7,207	13,346
Within two to three years	1,386	2,035	1,681
	12,868	9,242	15,027

At 30 June 2016 PGSA had finance lease agreements for two Toyota vehicles and one Ford F-400 truck.

17. Trade and other payables

Current liabilities

(Thousands of \$)	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Trade and other payables	6,671	6,281	5,598
Short term loans	11,482	7,207	13,346
Other accruals	906	570	773
	19,059	14,058	19,717

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

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

18. Long term loans and provisions

	As at	As at	As at
(Thousands of \$)	30 June 2016	30 June 2015	31 December 2015
Long term loans	1,386	2,035	1,681
Provisions	525	1,059	607
	1,911	3,094	2,288

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

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

(Thousands of \$)	Reclamation and remediation provision ⁽ⁱ⁾	Tax provision ⁽ⁱⁱ⁾	Other ⁽ⁱⁱⁱ⁾	Total
Balance at 1 January 2016	373	198	36	607
Net additions	-	-	-	-
Use of allowance	-	-	-	-
Exchange differences	(50)	(27)	(5)	(82)
Balance at 30 June 2016	323	171	31	525

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

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

(iii) Includes provision for road traffic accident. (Note 25.)

19. Share capital

Authorised

Issued and fully paid ordinary shares of 1p each (\$0.013)	Number of ordinary shares	Amount
At 1 January 2015	1,046,602,323	\$ 16,256
Issue in lieu of professional fees	1,111,111	17
Issue in lieu of Director's fees	12,241,993	193
Exchange difference on translation to \$	-	193
At 30 June 2015	1,059,955,427	\$ 16,659
At 1 January 2015	1,046,602,323	\$ 16,256
Issue in lieu of professional fees	1,111,111	17
Issue in lieu of Director's fees	12,241,993	193
Exchange difference on translation to \$	-	(776)
At 31 December 2015	1,059,955,427	\$ 15,690
At 1 January 2016	1,059,955,427	\$ 15,690
Issue by placing	496,962,962	7,185
Exchange difference on translation to \$	-	(2,028)
At 30 June 2016	1,556,918,389	\$ 20,847

Issue by placing

On 11 May 2016, the Company issued 462,962,962 new ordinary shares of, each at a price of 1.50 pence per share raising \$10.0 (£6.7 million) under the terms of the Subscription and Open Offer dated 22 April 2016. The cost of the placement totalled \$286.6 thousand (£198.4 thousand) resulting in net proceeds of \$9.7 million (£6.7 million). \$6.7 million (£4.6 million) of the net proceeds are included in share capital and the balance of \$3.0 million (£2.1 million) is included in share premium.

Due to additional demand from investors, on 25 May 2016 the Company issued a further 34,000,000 new ordinary shares under the same terms, raising \$747 thousand (£510 thousand).

20. Non-controlling interest

GROUP

<i>(Thousands of \$)</i>	<i>Amount</i>
At 1 January 2016	(563)
Share of operating profit - Lomada de Leiva	277
At 30 June 2016	(286)

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

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

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

21. Operating lease commitments

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

<i>(Thousands of \$)</i>	As at 30 June 2016	As at 30 June 2015	As at 31 December 2015
Operating leases which expire:			
Within one year	76	212	141
Within two to five years	11	134	25
After five years	-	-	-
	87	346	166

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

22. Related parties

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

<i>(Thousands of \$)</i>	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Landore Resources Limited	(i)	-	59	30
Cheyenne S.A.	(ii)	12	6	6
Agropecuaria Cantomi S.A.	(iii)	58	66	126

(i) In prior periods the Company recharged costs, consisting mainly of accommodation and travel expenses, to Landore Resources Limited ("Landore") and there was a balance owing to the Company from Landore at 30 June 2016 of \$Nil (30 June 2015: \$13 thousand; 31 December 2015: \$Nil). Landore was a related party because William H. Humphries, who was a director of the Company until June 2015, is a director and shareholder of that company.

(ii) During the period the Group paid Cheyenne S.A. ("Cheyenne") for the provision of a private plane to facilitate occasional travel to outlying areas for Directors and senior employees. Cheyenne is a related party because Carlos J. Miguens, the Company's Chairman, is a director and shareholder of Cheyenne.

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

23. Share-based payments

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

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

30 June 2016

31 December 2015

	Weighted average exercise price		Number of options	Weighted average exercise price		Number of options
	pence	\$		pence	\$	
Outstanding at the beginning of the period	13.97	\$0.207	95,158,000	15.46	\$0.242	85,383,000
Granted during the period	-	-	-	2.50	0.037	10,000,000
Exercised during the period	-	-	-	-	-	-
Lapsed during the period	14.50	0.194	(200,000)	7.72	0.114	(225,000)
Outstanding and exercisable at the end of the period	13.97	\$0.187	94,958,000	13.97	\$0.207	95,158,000

Options outstanding at 30 June 2016 have an exercise price in the range of \$0.033 (2.50p) per option to \$0.830 (62.00p) per option and a weighted average contractual life of 5.5923 years.

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

	Six months ended	Year ended
	30 June 2016	31 December 2015
Weighted average share price	2.50p (\$0.035)	2.50p (\$0.037)
Exercise price	2.50p (\$0.035)	2.50p (\$0.037)
Expected volatility (expressed as a percentage used in the modelling under Black-Scholes model)	52.00%	52.00%
Dividend yield	nil	nil
Option life (maximum)	10 years	10 years
Risk free interest rate (based on national government bonds)	0.5%	0.5%

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

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

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

(Thousands of \$)	Six months ended	Six months ended	Year ended
	30 June 2016	30 June 2015	31 December 2015
New options granted in the period	-	32	97
Part vested options granted in prior periods	44	-	-
	\$44	\$32	\$97

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

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

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
1 March 2007	Employees	75,000	6.875	0.67
23 May 2007	Senior management	200,000	8.0	0.89
5 June 2007	Director and employees	1,100,000	8.0	0.93
5 June 2007	Employee	25,000	10.5	0.93
3 June 2008	Director and employees	1,125,000	8.0	1.92
9 June 2009	Employees	1,175,000	12.0	2.94
23 June 2009	Directors and senior management	17,913,000	12.25	2.98
17 June 2010	Directors and employees	5,850,000	15.00	3.97
1 August 2010	Employee	300,000	15.00	4.09
10 February 2011	Directors	5,500,000	11.00	4.62
21 February 2011	Senior management	800,000	11.00	4.65
9 May 2011	Employees	500,000	43.50	4.86
13 May 2011	Directors and senior management	4,400,000	11.00	4.87
24 May 2011	Senior management	1,000,000	39.00	4.90
10 June 2011	Employees	1,250,000	11.00	4.95
10 June 2011	Employees	925,000	40.00	4.95
15 August 2011	Employee	200,000	62.00	5.13

1 September 2011	Senior management	500,000	11.00	5.17
1 November 2011	Directors	750,000	11.00	5.34
1 November 2011	Directors	750,000	50.25	5.34
6 December 2011	Employee	20,000	54.00	5.44
31 January 2012	Directors and senior management	4,500,000	11.00	5.59
1 July 2012	Senior management	1,500,000	25.00	6.00
3 December 2012	Senior management and employees	3,000,000	22.75	6.43
9 January 2013	Directors	14,500,000	22.75	6.53
27 February 2013	Senior management	1,000,000	15.50	6.66
12 June 2013	Employee	150,000	10.50	6.95
12 September 2013	Directors	1,500,000	11.00	7.20
19 September 2013	Director and senior manager	6,000,000	11.75	7.22
10 October 2013	Employees	1,450,000	11.75	7.28
25 July 2014	Director and senior manager	7,000,000	7.875	8.07
31 March 2015	Senior management	10,000,000	2.50	8.75
Total		94,958,000		

24. Financial commitments

Property, plant and equipment

During the period the Group entered into purchase commitments totalling \$0.2 million (31 December 2015: \$0.1 million) related to the purchase of two Toyota vehicles and one Ford F-400 truck, instalments are payable to the vendor over 37 instalments.

Fomicruz Agreement

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

Barrick Agreement

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

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

25. Contingent liability

As shown in Note 18, provisions at 30 June 2016 include an amount provided in relation to one contingent liability.

Road Traffic Accident

In October 2011 and March 2012, following a fatal road traffic accident in Argentina, compensation claims were made outside of the life insurance policy held by PGSA. These are non-judicial claims against PGSA that have been partially settled through a mediation process among PGSA, the automobile insurance company, and the claimants. According to those settlement agreements, the automobile insurance company paid the agreed compensations to the claimants, while PGSA committed to afford some of the court expenses and settlement fees. On 7 October 2014, PGSA was notified of the judicial complaint for compensation for moral damages, loss of economic aid, and expenses, filed by the inheritors of one of the victims against PGSA, amounting to US\$0.14 million (AR\$2.1 million) plus interest. As at 30 June 2016, although the plaintiff claims compensation relating to loss of economic aid and expenses, those items have already been covered under an out-of-court previous settlement by the labor risk insurance company of PGSA. As at that date, the claim remains partially outstanding with respect to the moral damages item and a provision of US\$31 thousand (AR\$470 thousand) has been recorded.

26. Subsequent events

On 7 July 2016, 30,164,550 new ordinary shares of 1p each in the Company were issued in lieu of the outstanding fees owed to Directors for their services, accrued from periods ranging from 1 January 2012 to 30 June 2016 under each Director's terms of appointment. The shares were deemed to be allotted for cash at a market price of 1.954 pence each, being the volume weighted average share price for the Company for the 30 day period prior to the date of the announcement. The Company also allotted 666,666 new ordinary shares to certain of the Company's advisers in lieu of cash payments.

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