

Half Yearly Financial Statements

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Patagonia Gold PLC
27 September 2017

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

Half Yearly Financial Statements for the six months ended 30 June 2017

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 2017. The Company will host a webcast and presentation on the interim results today at 2.00 p.m. UK time (see below for details).

Financial Highlights

- Gross revenues of US\$12.8 million for H1 2017 (H1 2016: US\$21.6 million) on sales of 10,452 oz AuEq at a price of US\$1,233.13/oz. This lower figure is a result of delays associated with the technical difficulties at Cap-Oeste which impacted production.
- Net profit attributable to the Company of US\$9.1 million (H12016: US\$2.2 million) mainly as a result of the disposal of Cap-Oeste Sur Este (COSE).

Operating Highlights

- Total production during the first half amounted to 10,452 oz AuEq (H1 2016: 16,889 oz AuEq). The reasons for this reduced figure are twofold: the transition of mining away from Lomada to Cap-Oeste and secondly, the technical difficulties initially encountered due to the high clay content in the ore at Cap-Oeste and the consequent delays while the agglomeration circuit was installed to address this problem.
- Lower recoveries associated with the technical difficulties contributed to higher than forecast operating costs. It is estimated that recoveries will improve by 15% to 80% as a result of installing the agglomeration circuit.
- **Lomada:** Although mining ceased at Lomada in May 2016, production from the leach pads continues with performance during the first half 77% above plan at 3,809 oz Au. Gold production will continue while recoveries remain viable and this is likely until at least the end of the current year.
- **Cap-Oeste:**
 - Construction of the agglomeration circuit is complete with commissioning having started in July. It is estimated that recoveries will improve to 80% as a result of installing this circuit.
 - 455,000 tonnes of ore at 1.65g/t Au and 52g/t Ag were extracted up to the end of July 2017, 5% below forecast owing to adverse weather conditions.
 - The Company estimates that approximately 75,000 tonnes of agglomerated ore will be loaded on the pads up until the end of September 2017 after which more accurate guidance for both production and operating costs will be provided.
 - Forecast completion date for the first pit shell remains on schedule for December 2017.
- **La Manchuria:** JV options are being evaluated to realise cash flow and advance exploration.
- **Sarita:** A 23.6km line of IP geophysics has been completed with several high priority targets identified and drill ready for testing before year end.
- **Exploration:** Exploration work comprising mainly mapping, sampling and geophysical surveys continues across the Company's property portfolio both in Argentina and Uruguay.

Corporate Highlights

- Disposal of COSE to a subsidiary of Pan American Silver Corp. (PAAS) at the end of May 2017 for a total consideration

of US\$15 million, of which half has been paid, with the remainder being deferred to 24 April 2018, plus a 1.5% net smelter return royalty.

- In April 2017, the Company entered into an exclusive option agreement with a subsidiary of PAAS to acquire the Calcatreu gold asset in Rio Negro ("Calcatreu Option"). This six month option is exercisable at the discretion of Patagonia Gold before 24 October 2017. Due diligence is under way and will be completed within the six month option period.

Christopher van Tienhoven, CEO commented: "Despite the technical challenges we have experienced at Cap-Oeste which are now behind us, the Company has continued to perform in a prudent and efficient manner. Given improved gold prices, more favourable exchange rates and our ongoing commitment to reduce costs wherever possible, we are confident that the setbacks of the last few months have been successfully overcome and that the outlook for the second half is significantly more robust".

The unaudited interims report for the six months ended 30 June 2017 will 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: Wednesday, 27 September 2017

TIME: 14.00 BST

WEBCAST: <http://webcasting.brrmedia.co.uk/broadcast/59bfaa7d6e25824f45f17a6d>

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 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, Chile and Uruguay 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.

PATAGONIA GOLD PLC

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

For the six months ended June 30, 2017
(Unaudited)

CEO'S INTRODUCTION

I am pleased to present Patagonia Gold Plc's ("Patagonia" or the "Company") unaudited interim report for the six months ended 30 June 2017.

A higher than projected gold price and a more competitive exchange rate, together with our ongoing cost reduction efforts have had a positive effect on the Company.

Revenues for the first six months of the year amounted to US\$12.8 million (1H2016: US\$21.6 million), below forecast owing mainly to lower initial production from the open pit mine at Cap-Oeste. However, the Company recorded net profits of US\$9.1 million (1H2016: US\$2.2 million) for the first six months of the year largely owing to the disposal of Cap-Oeste Sur Este project ("COSE"). Excluding the disposal, the Company achieved a net loss of US\$3.8 million.

At the end of the period short term debt amounted to US\$27.1 million (31 December 2016: US\$18.0 million). The increase in the debt position is attributable to the capital cost of the agglomeration circuit and working capital requirements due to lower initial revenues from gold sales as a result of the recoveries issues at Cap Oeste. The outstanding debt is intended to be repaid in full, and surplus cash flow generated, from the increased production from Cap Oeste as this ramps up and achieves its target level of production.

At Lomada de Leiva ("Lomada"), where mining activity ceased in May 2016, operations continue to perform well with production of 3,809 oz of Au during the period, 77% above plan. Production is expected to continue at least until the end of the current year.

At Cap-Oeste, initial recoveries were impacted by the high clay content resulting in lower than expected production in the period with production of 6,643 oz AuEq during the period. However, following the construction of the agglomeration circuit, which was completed in August following the commissioning of the crusher, we should see much improved production at Cap-Oeste going forward as its operation begins to ramp up. The Company believes that the agglomeration circuit will increase overall gold recoveries to 80%, which is considerably above the initial forecast recoveries of 65% without the agglomeration circuit. Production guidance for Cap-Oeste for 2017 is still being estimated but it is expected that it will be below the previous estimate of 68,500 oz AuEq for the year announced on 5 May 2017.

The Company disposed of COSE on 31 May 2017 to a subsidiary of Pan American Silver Corp ("PAAS"), for a total consideration of US\$15 million (US\$7.5 million of which is deferred to the earlier of 31 May 2018 and the commencement of production), plus a 1.5% net smelter return royalty. This transaction allows PAAS to treat and produce, in its plant, additional ore from the COSE mineral deposit, and provides Patagonia with the opportunity to reduce its net debt position while focusing on new opportunities.

As announced on 25 April 2017, Patagonia entered into an exclusive option with a subsidiary of PAAS to acquire the Calcatreu gold asset in Rio Negro ("Calcatreu") ("Calcatreu Option"). This six month option is exercisable at the discretion of Patagonia before 24 October 2017. The Calcatreu Option represents an excellent opportunity for the Company, as a junior miner, to acquire a near world class project in a mining friendly jurisdiction with approximately 1 million oz AuEq, with good geological potential, enabling the Company to diversify its regional operations and risks. Due diligence is under way and is expected to be complete before the six month option period.

We believe that Cap-Oeste will provide the Company with the cash flow to meet its short term financing commitments and will allow Patagonia to continue expanding its resource base by exploring our core targets in the region: Sarita, Manchuria, the San Jose project in Uruguay as well as advancing the Calcatreu project.

Under the current political and economic scenario, I am confident that Patagonia will succeed in reaching all its operational and exploration goals for the present year. I look forward to keeping all of our shareholders up to date as we advance with our plans to increase shareholder value. We are excited about the future that lies ahead for the Company.

Christopher van Tienhoven

Chief Executive Officer

26 September 2017

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

Mining operations at the Lomada de Leiva gold project (the "Lomada Project" or "Lomada") ceased as of May 2016. However, leaching of the heap leach stocks will continue for as long as gold continues to be recovered and it remains viable to do so and is expected continue to at least the end of the current year.

Following initial lower than expected recoveries from the heap leach pad at Cap-Oeste due to the high clay content of the ore, the Company has installed an agglomeration circuit to improve production. With the arrival in August of the primary impact crusher, capacity has increased to 3,000 tonnes per day of ore agglomerated. Initial tests on a 10,000 tonne parcel which was loaded on to the heap-leach pad have proved to be very successful, with an excellent granulometry and sized distribution produced and consumable consumption within estimated ranges.

In May, the COSE project was sold to Minera Triton Argentina S.A. (a subsidiary of Pan American Silver Corp. "PAAS") for a total consideration of US\$15 million plus a 1.5% NSR royalty. Work has already begun on the construction of the decline and the box cut with Minera Triton currently installing camp facilities and mobilising admin and mining personnel to commence underground mining.

Exploration of the El Tranquilo block was halted in November 2015. Exploration in Argentina has been concentrated at La Manchuria and Sarita where extensive geophysics and mapping campaigns have been completed over both areas with several drill targets delineated and ready for advancement. A number of options are currently being evaluated to realise cash flow and advance exploration on the block including the possibility of a joint venture.

Follow up geophysics and geochemical rock chip and soil programmes have also been completed on the Carreta Quemada and Chamizo projects in Uruguay. Drill targets have been identified again at zone 13, Colla and Carreta with the intention to drill these targets in late 2017.

The JORC Code compliant resources delineated as at 31 December 2016 (COSE removed) are listed in the table below:

Gross Resources (PGSA-Fomicruz)							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
Cap-Oeste	825,626	1.66	42.81	2.28	44,107	1,136,395	60,577
TOTAL Measured	825,626	1.66	42.81	2.28	44,107	1,136,395	60,577
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	425,705	2.95	135	4.07	40,380	1,848,211	55,684
Cap-Oeste	12,392,738	2.06	59.84	2.92	819,118	23,840,690	1,164,626
Lomada*	4,000,465	0.48	NA	NA	61,919	NA	61,919
TOTAL Indicated	16,818,908	1.70	47.51	2.37	921,417	25,688,901	1,282,229
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	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
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	13,293,290	0.99	8.18	1.32	423,061	3,495,236	565,408

Net Attributable Resources (PGSA)***							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
Cap-Oeste	743,063	1.66	42.81	2.28	39,696	1,022,756	54,519
TOTAL Measured	743,063	1.66	42.81	2.28	39,696	1,022,756	54,519
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	383,135	2.95	135	4.07	36,342	1,663,390	50,116
Cap-Oeste	11,153,464	1.82	56.32	2.76	737,206	21,456,621	1,048,163
Lomada*	3,600,419	0.48	NA	NA	55,727	NA	55,727
TOTAL Indicated	15,181,117	1.78	51.66	2.52	868,875	25,212,511	1,228,706
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	1,322,118	1.53	49.4	1.92	65,102	2,101,712	81,614
Cap-Oeste	7,552,800	1	25.79	1.43	242,100	626,400	346,500
Lomada	3,071,043	0.672	NA	NA	66,353	NA	66,353
Total Inferred	11,963,961	0.99	8.18	1.32	380,755	3,145,712	508,867

Notes:

* Lomada resource has not been depleted during 2016 to take account of production during the period, pending completion of third party estimation. Cap-Oeste pending third party depletion for mined material to end June 2017.

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

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

COSE resource has removed following completion of its disposal on 31 May 2017.

Argentina

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.

A low cost open pit mine with a heap leach processing facility similar to that at Lomada was completed in October 2016. However, as previously announced, initial gold and silver recoveries from the Cap-Oeste pad have been lower than expected due to the lack of percolation of the leaching solution owing to the high clay content in the upper sections of the Cap-Oeste orebody. The Company has sought to address this with the installation of the agglomeration circuit as detailed below. Accordingly, production at Cap-Oeste in the six months to 30 June 2016 were lower than expected with total production of 6,643 oz AuEq (5,788 oz of Au and 61,714 oz of Ag for a total estimated recovery of 29% Au and 10% Ag respectively).

The construction of the agglomeration circuit is now largely complete, with only the installation of the tunnel reclaim conveyor and feeder system to be completed, but this will not impact on production rates or recoveries. The primary impact crusher arrived on site mid-August and the Company estimates that approximately 75,000 tonnes will be agglomerated and loaded to the pad by the end of September. Once this initial load has completed its first leach cycle of 30 days, in November, the Company will provide further guidance on gold and silver production for the remainder of the year.

The Company continues to evaluate a possible pit optimisation as announced on 23 December 2016.

Mining operations are progressing well and only slightly behind schedule owing to a period of adverse weather conditions which affected logistics and operations during July. Approximately 60cm of snowfall and very low temperatures impeded blasting and mining operations for approximately one week. In addition, as announced on 31 August strong winds impacted installations, mining equipment and the main pad liner which have been repaired with the exception of the liner which has been ordered and will be laid down before the end of the year. However, there is sufficient space on the pad to continue production until the repair work is completed.

The total ore production of 455,000 tonnes at 1.65g/t Au and 52g/t Ag has been loaded onto the heap leach pad at the end of July. All ore mined from August onwards will be treated through the agglomerator before being loaded on to the heap leach pad and all material that has been loaded onto the pad prior to this date will be agglomerated once higher grade material from the mine is exhausted in early Q1 2018. Machine availability and utilisation has increased and forecast completion dates for the first pit shell remain on schedule for December 2017.

Lomada de Leiva Project

As previously announced, operations at Lomada were suspended in May 2016 with the entire mining fleet and the majority of the workforce relocated to the Cap-Oeste Project. The costs at Lomada were, as a result, significantly reduced when mining operations were suspended.

The Lomada pads continue to operate with production for the first half with 3,809 oz of Au recovered. The Company is assessing whether a finer comminution of the entire pad would increase recoveries before the pads undergo a final flush and rehabilitation work commences. This additional crushing would take place upon completion of the current Cap-Oeste pit design which is expected to be complete by January 2018.

Exploration Update Argentina

The brownfields exploration undertaken at Monte Leon with a view to sourcing additional material to the Cap Oeste heap leach project did not prove up sufficient resources both in terms of grade and tonnage to justify a mining operation that would be economically viable.

At La Manchuria project, a detailed pole-dipole induced polarisation (IP) survey was completed over approximately 3km² centred on the known low sulphidation epithermal mineralisation. 3D modelling of the data indicates that resistivity anomalies associated with known mineralisation extend well beyond the area historically drilled. A reverse circulation (RC) drilling programme is proposed to test these targets in the 2nd half of 2017.

The Company continues to evaluate the possibility of a joint venture arrangement for 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 145,000 oz AuEq of JORC Code compliant Indicated and Inferred resources already delineated at La Manchuria.

Very extensive ground magnetic and pole-dipole IP geophysical surveys (23.6 line-km) have been completed at the Sarita project, located approximately 10 km NW of Hunt Mining's Mina Martha Ag-Au mine. The project hosts a widespread system of banded low sulphidation Au-Ag veins, encompassing a small rhyolitic dome complex. The geophysical surveys have significantly improved the definition of the vein locations, especially in areas of Quaternary cover and trenching programme has been completed that has verified the vein locations. Drill testing of the priority targets is scheduled before the end of the year.

Reconnaissance mapping and sampling at Los Toldos project has identified brecciated and mineralised epithermal veining with elevated precious metal grades at El Amanecer prospect. A pole-dipole IP survey has been proposed to define drill targets.

A wide spaced pole-dipole IP survey (13.2 line-km) was completed over the Cerro Vasco prospect, located in the northern part of La Paloma block, approximately 18 km west of the Cerro Negro deposit. Widespread alteration, intense silicification and auriferous veining has been identified within the approximately 25km² prospect area but much of the area is masked by a thin veneer of Quaternary gravels. Drilling is proposed to be completed before the end of the year. Drilling at the Bandurria prospect has not been possible due to the lack of a surface land agreement.

Reconnaissance mapping and sampling has been completed at Las Lajas project, located in the central part of the Deseado Massif. Two prospective areas of auriferous quartz veining have been defined and a ground magnetic survey was completed over El Licha vein.

A detailed ground magnetic survey was completed over the small Comino cateo located in the western sector of the Deseado Massif. The survey has defined a series of strong lineaments associated with hitherto unrecognised structures.

The Company is in the process of reviewing and rationalising its tenement portfolio with a view to prioritising targets and potentially securing more prospective areas. Regional target generation in Rio Negro province has been undertaken.

Uruguay

Exploration has continued on the San José project as part of the Trilogy JV, where the Company has the option to acquire up to 100% of Trilogy Mining Corporation's dominant land package in the sparsely explored Paleoproterozoic San José Greenstone Belt that shows strong similarities with the Birimian Greenstone Belt in West Africa.

After drilling during late 2016 confirmed the location of a regional auriferous shear zone at the Zona 13 prospect, a programme of pole-dipole IP was completed that has traced the structure a further 2.2 km to the southwest, where it remains open. RC drilling is proposed to test the structure before the end of the year.

IP surveys and geological mapping completed at the Zona 15 prospect have defined a regional shear zone, with extreme geophysical characteristics. It is interpreted to be a graphitic shear, possibly the regional Cufre Shear Zone, and a possible source for the strong gold values historically reported from panned concentrate samples in the vicinity. Two diamond drill holes are proposed to test the shear.

A wide spaced IP survey has been completed at the Carreta Quemada prospect and three trenches have been excavated which have returned broad zones of low-concentration Au mineralisation, but to date, no regional structural control for mineralisation has been identified. Very widespread and elevated Au in panned concentrate soil has been reported from this large prospect but exploration efforts are yet to define a high-grade source for the gold. A potential volcanogenic hosted massive sulphide (VHMS) target has been identified where strong base metal anomalism has been reported from surface sampling of metabasalt.

IP surveying and three trenches have been excavated at the Colla prospect after high grade gold was reported from surface sampling. The trenching exposed an iron oxide rich, muscovite-bearing metaquartzite interpreted as a shear zone that hosts elevated gold concentrations. A pole-dipole IP survey has defined a strong chargeability anomaly coincident with the interpreted shear zone that extends for at least 1.8 km and remains open to the southwest. A regional scale stream sediment sampling programme is in progress and a ground magnetic survey is proposed. Drilling will be undertaken as soon as the required statutory permits are granted.

A ground magnetic survey and geological mapping has been completed at the Nueva Helvecia prospect which appears to have confirmed the location of shear and breccia zones that may be the source of regional panned concentrate gold anomalies. A pole-dipole IP survey is proposed to define drill targets.

Matthew Boyes

Chief Operating Officer

26 September 2017

Condensed Consolidated Interim Statement of Comprehensive Income

		Six months ended	Six months ended	Year ended
		30 June 2017	30 June 2016	31 December 2016
	Note	(unaudited)	(unaudited)	(audited)
		\$'000	\$'000	\$'000
Continuing operations				
Revenue		12,847	21,601	30,041
Cost of sales		(6,006)	(11,998)	(14,862)
Gross profit		6,841	9,603	15,179
Project sale		15,000	-	-
Project cost of sale		(1,048)	-	-
Gain on sale of project		13,952	-	-
Exploration costs		(1,056)	(1,162)	(2,344)
Administration costs				
Share-based payments charge	23	(16)	(44)	(67)
Other administrative costs	5	(6,100)	(4,186)	(8,679)
		(6,116)	(4,230)	(8,746)
Finance income		43	16	61
Finance costs		(1,230)	(617)	(1,976)
Profit before taxes		12,434	3,610	2,174
Income tax charge		(2,286)	(1,142)	(1,122)

Profit for the period		10,148	2,468	1,052
Attributable to non-controlling interest	20	1,003	277	140
Attributable to equity share owners of the parent		9,145	2,191	912
		10,148	2,468	1,052
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
(Loss) / Gain on revaluation of available-for-sale financial assets		(1)	17	27
Items that may be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations		(1,241)	(1,614)	(1,985)
Other comprehensive loss for the period		(1,242)	(1,597)	(1,958)
Total comprehensive income / (loss) for the period		8,906	871	(906)
Total comprehensive income / (loss) for the period attributable to:				
Non-controlling interest		1,003	277	140
Owners of the parent		7,903	594	(1,046)
		8,906	871	(906)
Net profit / (loss) per share	7			
Basic profit / (loss) per share		0.006	0.002	0.001
Diluted profit / (loss) per share		0.006	0.002	0.001

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

Condensed Consolidated Interim Statement of Financial Position

	Note	As at	As at	As at
		30 June 2017 (unaudited)	30 June 2016 (unaudited)	31 December 2016 (audited)
ASSETS		\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	9	17,565	10,884	15,628
Mineral properties	8	9,694	5,425	11,716
Mining rights	10	3,438	3,538	3,488
Available-for-sale financial assets	13	32	22	31
Investments	13	-	325	-
Other receivables	11	4,396	6,176	7,687
Deferred tax asset		1,782	3,691	3,753
		36,907	30,061	42,303
Current assets				
Inventory	14	17,998	2,593	10,163
Trade and other receivables	12	13,795	5,574	2,044
Cash and cash equivalents	15	809	2,304	735
		32,602	10,471	12,942
Total assets		69,509	40,532	55,245
LIABILITIES				
Current liabilities				
Short-term loans	17	27,075	11,482	18,010
Trade and other payables	17	8,847	7,577	9,397
		35,922	19,059	27,407
Non-current liabilities				
Long-term loans	18	5,069	1,386	8,201
Provisions	18	1,012	525	1,052
		6,081	1,911	9,253
Total liabilities		42,003	20,970	36,660
EQUITY				
Share capital	19	20,643	20,847	19,587
Share premium account		138,700	142,450	131,602
Currency translation reserve		8,829	5,260	18,991
Share-based payment reserve		14,938	15,616	14,282
Accumulated losses		(156,184)	(164,325)	(165,454)

Equity attributable to shareholders of the parent			
		26,926	19,848
Non-controlling interest	20	580	(286)
Total equity		27,506	19,562
Total liabilities and equity		69,509	55,245

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

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

Note	Equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Share premium account	Currency translation reserve	Share-based payment reserve	Accumulated losses	Total attributable to owners		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016	15,690	154,090	(11,746)	17,238	(166,553)	8,719	(563)	8,156
Changes in equity for first six months of 2016								
Share-based payment	23	-	-	44	-	44	-	44
Issue of share capital								
Issue by placing	19	7,186	3,593	-	-	10,779	-	10,779
Transaction costs of placing		-	(287)	-	-	(287)	-	(287)
Lapse of options		-	-	(20)	20	-	-	-
Exchange differences on translation to dollars		(2,029)	(14,946)	18,621	(1,646)	-	-	-
Transactions with owners		5,157	(11,640)	18,621	(1,622)	20	-	10,536
Profit for the period		-	-	-	2,191	2,191	277	2,468
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets		-	-	-	17	17	-	17
Exchange differences on translation to dollars		-	-	(1,615)	-	(1,615)	-	(1,615)
Total comprehensive income (loss) for the period		-	-	(1,615)	2,208	593	277	870
At 30 June 2016	20,847	142,450	5,260	15,616	(164,325)	19,848	(286)	19,562
At 1 January 2016	15,690	154,090	(11,746)	17,238	(166,553)	8,719	(563)	8,156
Changes in equity for year ended 31 December 2016								
Share-based payment	23	-	-	67	-	67	-	67
Issue of share capital								
Issue by placing	19	7,186	3,593	-	-	10,779	-	10,779
Transaction costs of placing		-	(287)	-	-	(287)	-	(287)
Issue in lieu of payables		399	377	-	-	776	-	776
Lapse of options		-	-	(160)	160	-	-	-
Exchange differences on translation to dollars		(3,688)	(26,171)	32,722	(2,863)	-	-	-
Transactions with owners		3,897	(22,488)	32,722	(2,956)	160	-	11,335
Profit for the year		-	-	-	912	912	140	1,052
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets		-	-	-	27	27	-	27
Exchange differences on translation to dollars		-	-	(1,985)	-	(1,985)	-	(1,985)
Total comprehensive income (loss) for the period		-	-	(1,985)	939	(1,046)	140	(906)
At 31 December 2016	19,587	131,602	18,991	14,282	(165,454)	19,008	(423)	18,585
Changes in equity for first six months of 2017								
Share-based payment	23	-	-	16	-	16	-	16
Lapse of options		-	-	(126)	126	-	-	-

Exchange differences on translation to dollars	1,056	7,098	(8,920)	766	-	-	-	-
Transactions with owners	1,056	7,098	(8,920)	656	126	16	-	16
Profit for the period	-	-	-	-	9,145	9,145	1,003	10,148
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets	-	-	-	-	(1)	(1)	-	(1)
Exchange differences on translation to dollars	-	-	(1,242)	-	-	(1,242)	-	(1,242)
Total comprehensive income								
(loss) for the period	-	-	(1,242)	-	9,144	7,902	1,003	8,905
At 30 June 2017	20,643	138,700	8,829	14,938	(156,184)	26,926	580	27,506

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
		30 June 2017	30 June 2016	31 December 2016
		(unaudited)	(unaudited)	(audited)
	Note	\$'000	\$'000	\$'000
Operating activities				
Net profit (loss) for the period		12,434	2,468	2,174
Adjustments for:				
Finance income	13	(43)	(16)	(61)
Finance costs		1,230	617	1,976
Depreciation and amortization	8,9&10	1,588	1,262	2,587
Non-cash adjustments		-	-	(179)
Share issue in lieu of payables		-	-	776
Increase in inventory		(7,835)	(340)	(7,910)
Increase in trade and other receivables		(8,460)	(3,528)	(1,509)
Decrease in deferred tax asset		1,971	1,099	1,037
(Decrease)/increase in trade and other payables	17	(2,836)	1,206	2,755
(Decrease)/increase in provisions	18	(40)	(82)	445
Taxes paid		-	-	(672)
Share-based payments charge	23	16	44	67
Net cash used in operating activities		(1,975)	2,730	1,486
Investing activities				
Finance income		43	16	61
Purchase of property, plant and equipment		(3,944)	(6,373)	(12,521)
Additions to mineral properties		(271)	(2,746)	(9,931)
Increase in investments		-	(325)	-
Proceeds from disposal	9	871	-	49
Net cash used in investing activities		(3,301)	(9,428)	(22,342)
Financing activities				
Finance costs		(1,230)	(617)	(1,976)
Increase in loans	17&18	22,320	15,925	38,167
Repayment of loans	17&18	(16,220)	(16,960)	(25,609)
Proceeds from issue of share capital	19	-	10,779	10,779
Transaction costs of placing	19	-	(287)	(287)
Net cash from financing activities		4,870	8,840	21,074
Net (decrease)/increase in cash and cash equivalents		(406)	2,142	218
Cash and cash equivalents at beginning of year		735	1,694	1,694
Effects of exchange rate fluctuations on cash and cash equivalents		480	(1,532)	(1,177)
Cash and cash equivalents at end of period	15	809	2,304	735

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

The financial information on pages [7 to 10] represent the results of the parent company Patagonia Gold Plc ("Patagonia Gold" or the "Company") and its subsidiaries, collectively known as the "Group".

1. Basis of preparation

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The Group's unaudited condensed consolidated interim financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). This condensed consolidated financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 27 March 2017. 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 2016. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements. There has been no change in critical accounting estimates from year-end.

2. Going concern

The attached financial statements are prepared on a going concern basis. Having assessed the revised cash flow projections after the COSE project disposal through September 2019, the Directors believe this basis to be appropriate for the following reasons.

Patagonia has successfully transformed itself from a pure exploration company to a fully fledged producer. Until Lomada 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 which had a relatively short life and in May 2016 the mining operation was suspended. The Lomada pad continues to produce gold at approximately 20 ounces per day and the Company has decided to leave the pad irrigating for the time being until the process becomes unviable.

Anticipating the end of the Lomada mine, the Company advanced the Cap-Oeste project through the construction of a heap leach operation similar to the one at Lomada.

With initial recoveries lower than estimated, the Company completed the installation of an agglomeration circuit to improve recovery rates which started commissioning in mid-July. With the agglomeration circuit now operating at 100% capacity the Directors believe that the cash flow generated from this project will be sufficient to meet its obligations and continue to lower the Company's debt position, while at the same time enabling it to continue with its exploration activities. In addition, with the proceeds from the disposal of the COSE project, Patagonia has lowered its debt requirements.

Considering the nature of the Group's current and planned activities and the excellent opportunity of the Calcatreu Option for the Company, the Directors have therefore concluded that the financial statements should be prepared on a going concern basis.

3. Recent accounting pronouncements

The following IFRS standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2017 or later periods. The Company has not implemented early adoption:

- IFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 9 introduce extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets;
- IFRS 15 'Revenue from contracts with customers', IFRS presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related interpretations. Management do not consider that this will have a significant impact on the Group's financial statements; and
- IFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17. It completes the IASB's project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of right-of-use asset and a lease liability.

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

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:

Net profit/(loss)

(Thousands of \$)	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Argentina and Chile ⁽¹⁾	(8,763)	(6,542)	(12,542)
United Kingdom	(808)	(385)	(631)
Argentina - Lomada Project	2,497	9,395	14,229
Argentina - Cap Oeste Project	3,270	-	(4)
Argentina - COSE Project ⁽²⁾	13,952	-	-
	10,148	2,468	1,052

(1) Segment represents other exploration projects.

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

Total assets

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Argentina, Uruguay and Chile ⁽¹⁾	8,792	20,760	12,862
Argentina - Lomada Project	1,915	9,374	7,078
United Kingdom	1,264	998	994
Argentina - COSE Project	7,506	962	905
Argentina - Cap-Oeste Project	50,032	8,438	33,406
	69,509	40,532	55,245

(1) Segment represents other exploration projects.

Total liabilities

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Argentina, Uruguay and Chile ⁽¹⁾	23,569	13,972	20,449
Argentina - Lomada Project	795	2,389	834
United Kingdom	10,359	950	6,892
Argentina - COSE Project	-	-	-
Argentina - Cap-Oeste Project	7,280	3,659	8,485
	42,003	20,970	36,660

(1) Segment represents other exploration projects.

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

(Thousands of \$)	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Argentina ⁽¹⁾	1,056	1,162	2,115
Uruguay	-	-	229
	1,056	1,162	2,344

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

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

5. Other administrative costs

Six months	Six months
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(Thousands of \$)	ended 30 June 2017	ended 30 June 2016	Year ended 31 December 2016
General and administrative	2,136	1,277	2,598
Argentine statutory taxes	329	347	1,036
Professional fees	237	315	674
Payments under operating leases	56	61	109
Foreign currency loss	2,919	1,459	2,616
Parent and subsidiary company Directors' remuneration	140	310	444
Profit on sale of assets	-	(71)	(68)
Depreciation charge	1,538	1,214	2,487
Amortisation of mining rights	50	50	100
Depreciation allocated to inventory	(1,412)	(845)	(1,565)
Depreciation allocated to mineral properties	-	(83)	-
VAT expense/(income)	33	94	114
Consultancy fees	74	58	134
	6,100	4,186	8,679

6. Remuneration of Directors and key management personnel

Parent company Directors' emoluments:

(Thousands of \$)	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Directors fees	23	193	208
Salaries	60	125	182
	83	318	390

In the six months ended 30 June 2017, the highest paid Director received \$60 thousand (six months ended 30 June 2016: \$125 thousand). This amount does not include any share-based payments charge.

Key management personnel emoluments:

(Thousands of \$)	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Share-based payments charge	18	44	67
Salaries	60	160	273
Other compensation, including short-term benefits	23	258	268
	101	462	608

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 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Profit after tax (Thousands of \$)	9,145	2,191	912
Weighted average number of shares	1,587,749,605	1,556,918,389	1,391,295,477
Basic and diluted profit per share (\$)	0.006	0.002	0.001

At 30 June 2017, there were 93,183,000 (30 June 2016: 94,958,000; 31 December 2016: 93,508,000) share options in issue, which would have a potentially dilutive effect on the basic profit per share in the future.

During 2016, the 24,705,000 warrants that were in issue at 30 June 2016 expired without being exercised.

8. Mineral properties

(Thousands of \$)	Mining assets	Surface rights acquired	Assets in the course of construction	Total
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Cost				
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
Additions	7,185	-	-	7,185
Disposals	-	-	-	-
Transfers	2,736	-	(2,736)	-
Exchange differences	(158)	(62)	(55)	(275)
At 31 December 2016	11,796	993	905	13,694
At 1 January 2017	11,796	993	905	13,694
Additions	271	-	-	271
Disposals	-	-	(871)	(871)
Exchange differences	(404)	(37)	(34)	(475)
At 30 June 2017	11,663	956	-	12,619
Amortization				
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
Charge for the period	76	-	-	76
Exchange differences	543	-	-	543
At 31 December 2016	1,978	-	-	1,978
At 1 January 2017	1,978	-	-	1,978
Charge for the period	47	-	-	47
Exchange differences	900	-	-	900
At 30 June 2017	2,925	-	-	2,925
Net book value				
At 30 June 2016	674	1,055	3,696	5,425
At 31 December 2016	9,818	993	905	11,716
At 30 June 2017	8,738	956	-	9,694

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.

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

Trilogy Mining Corporation

In January 2016, Patagonia Gold entered into an earn-in agreement with Trilogy Mining Corporation ("Trilogy") in relation to the San José Project in Uruguay. This agreement with Trilogy represents a great opportunity to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks. This has been recognised within mining assets additions at a cost of \$1.071 million. No fair value has been attributed to the future potential investment or earn-in at this stage, the Directors consider it to be too early to ascribe any value to this. The Directors have considered and concluded that no impairment in value is needed at 30 June 2017. This investment was made directly by the parent Company and is therefore reflected in the parent Company balance sheet as well as that of the Group.

Surface rights

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

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

Assets in the course of construction

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

9. Property, plant and equipment

(Thousands of \$)	Office equipment and vehicles	Machinery and equipment	Buildings	Plant	Improvements and advances	Total
Cost						
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
Additions	461	5,197	-	4,229	-	9,887
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	(64)	(271)	(25)	(300)	(3,738)	(4,398)
At 31 December 2016	1,213	9,844	417	9,069	1,965	22,508
At 1 January 2017	1,213	9,844	417	9,069	1,965	22,508
Additions	13	315	-	45	3,571	3,944
Transfers	-	665	-	-	(665)	-
Disposals	-	-	-	-	-	-
Exchange differences	(31)	(371)	(16)	(341)	(74)	(833)
At 30 June 2017	1,195	10,453	401	8,773	4,797	25,619
Depreciation						
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
Disposals	-	-	-	-	-	-
Charge for the period	95	589	4	511	-	1,199
Exchange differences	(62)	(139)	(1)	(252)	-	(454)
At 31 December 2016	362	2,215	44	4,259	-	6,880
At 1 January 2017	362	2,215	44	4,259	-	6,880
Disposals	-	-	-	-	-	-
Charge for the period	100	763	4	624	-	1,491
Exchange differences	(4)	(121)	(2)	(190)	-	(317)
At 30 June 2017	458	2,857	46	4,693	-	8,054
Net book value						
At 30 June 2016	487	3,153	401	1,140	5,703	10,884
At 31 December 2016	851	7,629	373	4,810	1,965	15,628
At 30 June 2017	737	7,596	355	4,080	4,797	17,565

Improvements and advances relate to the development and modification of plant, machinery and equipment, including advance payments. Additions in 2016 represented advance payments relating to the agglomeration circuit that started commissioning in mid-July 2017.

10. Mining rights

(Thousands of \$)	Amount
At 1 January 2016	3,588
Additions	-
Amortisation charge for the period	(50)
Exchange differences	-
At 30 June 2016	3,538
At 1 January 2016	3,588
Additions	-
Amortisation charge for the year	(100)
Exchange differences	-

At 31 December 2016	3,488
At 1 January 2017	3,488
Additions	-
Amortisation charge for the period	(50)
Exchange differences	-
At 30 June 2017	3,438

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

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

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

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

11. Other receivables

Non-current assets

	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
(Thousands of \$)			
Recoverable VAT	3,939	5,878	7,388
Other receivables	457	298	299
	4,396	6,176	7,687

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 30 June 2017 to be recoverable in full and no provision is considered necessary. Good progress has been made during 2017 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.

12. Trade and other receivables

Current assets

	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
(Thousands of \$)			
Other receivables	481	587	589
Sale of project (COSE)	7,500	-	-
FOMICRUZ ⁽¹⁾	454	3,011	-
Prepayments and accrued income	20	21	22
UK Recoverable VAT	3	7	1
ARG Recoverable VAT	5,337	1,948	1,432
	13,795	5,574	2,044

(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.

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Opening balance	31	7	7
Profit for the period	1	15	24
Closing balance	32	22	31

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 2017				
Listed securities	32	-	-	32
As at 30 June 2016				
Listed securities	22	-	-	22
As at 31 December 2016				
Listed securities	31	-	-	31

Finance Income

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Bank Interest	43	16	61
Investment income	-	-	-
Finance income	43	16	61

14. Inventory

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

15. Cash and cash equivalents

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Bank and cash balances	725	2,242	657
Short-term deposits	84	62	78
	809	2,304	735

16. Finance lease obligations

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Within one year	27,075	11,482	18,010
Within two to three years	5,070	1,386	11,240
	32,145	12,868	29,250

At 30 June 2017 PGSA had finance lease agreements for thirteen Toyota vehicles, two Ford F-400 trucks, one Sprinter passenger van and one Volvo truck.

17. Trade and other payables

Current liabilities

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Trade and other payables	8,416	6,671	8,951
Income tax	276	-	271
Short term loans	27,075	11,482	18,010
Other accruals	155	906	175
	35,922	19,059	27,407

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

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

18. Long term loans and provisions

(Thousands of \$)	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Long term loans	5,069	1,386	8,201
Provisions	1,012	525	1,052
	6,081	1,911	9,253

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 2017	861	161	30	1,052
Net additions	-	-	-	-
Use of allowance	-	-	-	-
Exchange differences	(32)	(6)	(2)	(40)
Balance at 30 June 2017	829	155	28	1,012

(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) Provision for road traffic accident. In October 2011 and March 2012, following a fatal road traffic accident in Argentina, compensation claims were made outside of the life insurance policy held by PGSA. These are non-judicial claims against PGSA that have been partially settled through a mediation process among PGSA, the automobile insurance company, and the claimants. According to those settlement agreements, the automobile insurance company paid the agreed compensations to the claimants, while PGSA committed to afford some of the court expenses and settlement fees.

On 7 October 2014, PGSA was notified of the judicial complaint for compensation for moral damages, loss of economic aid, and expenses, filed by the inheritors of one of the victims against PGSA, amounting to US\$0.13 million (AR\$2.1 million) plus interest. As at 30 June 2017, 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 labour 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\$28.5 thousand (AR\$470 thousand) has been recorded.

19. Share capital

Authorised

Issued and fully paid ordinary shares of 1p each (\$0.013)	Number of ordinary shares	Amount
At 1 January 2016	1,059,955,427	\$ 15,690
Issue by placing	496,962,962	7,186
Exchange difference on translation to \$	-	(2,029)
At 30 June 2016	1,556,918,389	\$ 20,847
At 1 January 2016	1,059,955,427	\$ 15,690
Issue by placing	496,962,962	7,186
Issue in lieu of professional fees	666,666	12
Issue in lieu of Director's fees	30,164,550	387
Exchange difference on translation to \$	-	(3,688)
At 31 December 2016	1,587,749,605	\$ 19,587
At 1 January 2017	1,587,749,605	\$ 19,587
Exchange difference on translation to \$	-	1,056
At 30 June 2017	1,587,749,605	\$ 20,643

20. Non-controlling interest

GROUP

<i>(Thousands of \$)</i>	<i>Amount</i>
At 1 January 2017	(423)
Share of operating profits	1,003
At 30 June 2017	580

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.

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

21. Operating lease commitments

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

<i>(Thousands of \$)</i>	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
Operating leases which expire:			
Within one year	141	76	32
Within two to five years	168	11	12

After five years	-	-	-
	309	87	44

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:

(Thousands of \$)	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2015
Cheyenne S.A.	(i)	-	12	11
Agropecuaria Cantomi S.A.	(ii)	39	58	92

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

23. Share-based payments

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

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

	30 June 2017			31 December 2016		
	Weighted average exercise price		Number of options	Weighted average exercise price		Number of options
	pence	\$		pence	\$	
Outstanding at the beginning of the period	14.01	\$0.171	93,508,000	13.97	\$0.207	95,158,000
Granted during the period	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-
Lapsed during the period	8.11	0.102	(1,450,000)	11.63	0.143	(1,650,000)
Outstanding and exercisable at the end of the period	14.10	\$0.183	92,058,000	14.01	\$0.171	93,508,000

Options outstanding at 30 June 2017 have an exercise price in the range of \$0.033 (2.50p) per option to \$0.806 (62.00p) per option and a weighted average contractual life of 4.6372 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 2017	31 December 2016
Weighted average share price	2.50p (\$0.033)	2.50p (\$0.031)
Exercise price	2.50p (\$0.033)	2.50p (\$0.031)
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 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Part vested options granted in prior periods	16	44	67
	16	44	67

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

The total number of options over ordinary shares outstanding at 30 June 2016 was as follows:

Date of grant	Employees entitled	No of options	Exercise price (pence)	Remaining contractual life (years)
3 June 2008	Director and employees	1,125,000	8.0	0.92
9 June 2009	Employees	1,175,000	12.0	1.94
23 June 2009	Directors and senior management	17,913,000	12.25	1.98
17 June 2010	Directors and employees	5,850,000	15.00	2.97
1 August 2010	Employee	300,000	15.00	3.09
10 February 2011	Directors	5,500,000	11.00	3.62
21 February 2011	Senior management	800,000	11.00	3.65
9 May 2011	Employees	500,000	43.50	3.86
13 May 2011	Directors and senior management	4,400,000	11.00	3.87
24 May 2011	Senior management	1,000,000	39.00	3.90
10 June 2011	Employees	1,250,000	11.00	3.95
10 June 2011	Employees	925,000	40.00	3.95
15 August 2011	Employee	200,000	62.00	4.13
1 September 2011	Senior management	500,000	11.00	4.17
1 November 2011	Directors	750,000	11.00	4.34
1 November 2011	Directors	750,000	50.25	4.34
6 December 2011	Employee	20,000	54.00	4.44
31 January 2012	Directors and senior management	4,500,000	11.00	4.59
1 July 2012	Senior management	1,500,000	25.00	5.00
3 December 2012	Senior management and employees	3,000,000	22.75	5.43
9 January 2013	Directors	14,500,000	22.75	5.53
27 February 2013	Senior management	1,000,000	15.50	5.66
12 September 2013	Directors	750,000	11.00	6.20
19 September 2013	Director and senior manager	6,000,000	11.75	6.22
10 October 2013	Employees	850,000	11.75	6.28
25 July 2014	Director and senior manager	7,000,000	7.875	7.07
31 March 2015	Senior management	10,000,000	2.50	7.75
Total		92,058,000		

24. Financial commitments

Property, plant and equipment

During the period the Group entered into purchase commitments totalling \$0.2 million (31 December 2016: \$0.7 million) related to the purchase of a Volvo truck, instalments are payable to the vendor over 37 instalments.

Barrick Agreement

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

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

25. Contingent liability

There were no contingent liabilities at either 30 June 2017 or 31 December 2016.

26. Subsequent events

There have been no significant subsequent events.

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