



HPD Exploration PLC : Drilling Report

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HPD EXPLORATION PLC ('HPD') DRILLING AND EXPLORATION UPDATE HIGHLIGHTS

COYHAIQUE-CHILE

Drilling has commenced at the Coyhaique property. The initial phase of the 10,000 metre drilling programme includes 5,400 metres of reverse circulation drilling (RC) for: close space drilling (17 holes) on the Adriana vein; fence exploration drilling across the Valenzuela zone (29 holes) and fence exploration drilling across the newly defined 'Ridge' mineralisation (22 holes).

The five holes completed to date on Adriana have all intersected massive vein, of up to 12 metres intersection width, plus associated stock-work veining. Assays are pending.

Exploration at Coyhaique has identified a new mineralised zone named the 'Ridge', trending from the northern extent of the Valenzuela zone to intersect the central sector of the Adriana Vein approximately two kilometres further to the north. The new zone effectively bisects a large circular dome feature that is suspected as being the by-product of an underlying intrusive. Visible gold has been observed in several samples including one sample from the 'Ridge' that contained a cluster of gold flakes up to 4mm long and 0.5mm thick. Assays are pending.

CERRO CRESPO-ARGENTINA

Cerro Crespo (centred on property No 21) has advanced to 'Project' status. Exploration of this property has led to the discovery of two large vein fields, 'Cabana' and 'Jasper', each containing swarms of low sulphidation, epithermal veins with textures indicating that erosion of the system is shallow. To date, over 4,000 metres of vein have been mapped, with individual veins ranging in thickness from 0.5 to 5 metres and reporting grades of up to 15.8 g/t gold. Preparation has commenced for a 5,000 metre RC drilling campaign on the Cerro Crespo Project in early March.

LANDORE RESOURCES INC. (HPD 37%)-CANADA

Drilling has commenced at Landore's Miminiska Lake property located in northern Ontario 180 kilometres east of Placer Dome's Musslewhite Gold mine. The initial phase of the 3,500 metres, NQ core, diamond drill programme, is designed to further define the highly prospective 'Baseline Z5 shoot', delineated during the drilling campaign completed in May of this year. Significant high grade gold was intersected in this shoot including: 40.2g/t Au over 2.1 metres in hole 0603-8 and 34.5g/t Au over 0.65 metres in hole 0603-8

Mineralisation of the Z5 shoot is considered to be analogous to that of Musslewhite mine.

Coyhaique-Chile.

Mobilisation. The 'Option to Purchase' agreement was formalised with WestMag on the 18th July allowing preparations for project mobilisation and start-up. This included: the relocation of senior management from Puerto Madryn-Argentina to Coyhaique, establishment of an office, infrastructure and field base; calling for and acceptance of tenders for drilling and assaying and the employment of geologists and field technicians.

Environmental Impact Study. Prior to commencement of the proposed drilling campaign, Patagonia Gold was required to submit a comprehensive 'Environmental Impact Study' to the Provincial Mining Directorate and relevant government agencies (23 in all). The study is to a 'pre-feasibility' level and covers all aspects of exploration, including drilling, trenching, water usage, road construction etc. and their impact on the environment within the project and environs.

The approval of the study in its entirety on the 10th November was a significant achievement and an important milestone for the Project.

Exploration. The Project geological team, assisted by Consultant Geologists, Chris Cooper and Nick Callan, have compiled and reviewed all available historical data. They are now engaged in field exploration including mapping and sampling of the veins and zones to be drilled together with reconnaissance geological mapping of other prospective areas.

Exploration has identified a new mineralised zone, now named the 'Ridge', trending from the northern extent of the Valenzuela zone to intersect the central sector of the Adriana vein approximately two kilometres further to the north. Channel sampling on this zone has exposed high temperature, dogtooth, crystalline quartz with one sample containing a cluster of gold flakes up to 4mm long and 0.5mm thick. These features could be caused by a thermal event resulting in the recrystallisation of quartz and the remobilisation of the gold. If so there could also be bonanza shoots where gold has been remobilised into favourable structures.

The new zone effectively bisects a large circular dome feature that is suspected as being the by-product of an underlying intrusive. In the same area the volcanic host lithology is distinctly hornfelsed (heat alteration).

This makes the 'Ridge' an exciting and high priority target for drilling.

Drilling. The proposed drill programme to be completed at Coyhaique this southern summer consists of 8,000 metres of reverse circulation (RC) and 2,000 metres of HQ diamond core drilling. The initial phase will be 68 holes RC for a total of 5400 metres aimed at the three zones that are currently considered to have the greatest potential.

- On the Adriana Vein the central zone will have 11 holes drilled at 40 metres spacing close to the vein with 6, 25metre step-back holes, at 80-metre spacing.
- On the 'Ridge' 4 drill 'fences', for a total of 22 holes, will be drilled across the mineralised zone.
- On the Valenzuela zone 5 drill 'fences', for a total of 29 holes, will be drilled across the mineralised zone with two holes aimed at testing breccias on the Pollox Fault.

The initial phase drilling is scheduled for completion by the end of January.

Cerro Crespo-Argentina.

The Cerro Crespo project, centred on exploration property No. 21, is located 20 km south of the town Gobernador Costa in the western part of the province of Chubut. It is approximately 150 km south-east of Esquel and, similarly, is situated in the foothills of the Andes cordillera.

Reconnaissance exploration, carried out last summer, was successful in discovering low sulphidation veining, reporting elevated gold grades, in several locations. Hence it was selected as a high priority property to commence second pass exploration, including detailed mapping and channel sampling.

To date, three large vein fields have been identified, the most prospective of which are:

The 'Cabana zone'- covers an area of approximately 1 square kilometre, and contains a complex radiating swarm of veins ranging from 1 to 5 meters in width and up to 800 metres in length. The veins exhibit highly variable textures, possibly due to numerous overprinting vein events, with the most common texture being chalcedonic quartz, indicating that the erosion of the system is shallow. Channel sampling has returned grades of up to 11g/t gold, which, at this elevated level in the system, is extremely promising. The zone is open on all sides with new veins still being discovered.

The 'Jasper zone'- also covers an area of approximately 1 square kilometre and contains a parallel set of veins from 0.5 to 2 metres in width and up to 800 metres in length. The surface outcrop is at the top of the system, with opaline vein exposures representing the uppermost plumes of the underlying fissure veins. Channel sampling has returned grades of up to 15.8g/t gold. It is unusual to have >1 g/t Au at this elevation in the system making the target zone below look extremely promising. This zone is also open on all sides with new veins still being discovered and, with the poor surface exposure over the entire area, it is highly likely that extensive trenching will locate even more veins on both the 'Cabana' and 'Jasper zones'.

Selection of assay results from channel samples taken on veins in the 'Cabana' and 'Jasper' zones.

SAMP	AU_PPM	AG_PPM	CU_PPM	PB_PPM	ZN_PPM	AS_PPM	SB_PPM	HG_PPM
6126	2.1	6.7	134	11700	99700	176	24	2.0

6128	5.0	7.8	48	489	398	10	13	0.4
6129	3.5	6.0	56	628	337	12	16	0.3
6130	2.5	12.2	70	686	495	-5	18	0.4
6132	3.3	5.9	46	264	241	11	15	0.2
6134	11.1	8.4	23	504	48	10	15	0.3
6136	2.1	4.3	41	391	419	23	21	0.4
6138	6.5	9.4	22	361	440	-5	13	0.4
6139	3.1	10.3	25	196	192	11	21	0.3
6210	3.6	13.9	93	771	520	30	15	0.6
6287	4.1	11.1	43	29500	322	225	34	2.6
6288	15.8	13.0	528	46300	2870	7080	118	3.0

Preparations are underway for a 5,000 metre RC drilling campaign to commence in early March 2004 on the most prospective veins in the 'Cabana' and 'Jasper' zones. A second Geological team with an excavator is to start in January on trenching and channel sampling.

Consulting Geologist Chris Cooper, highly experienced in low sulphidation epithermal gold occurrences and whose involvement in the Esquel discovery and geological development was crucial, visited the Cerro Crespo Project area to provide an assessment of its' prospectivity. His conclusion stated:

'The sequence of events resulting in the discovery of a new gold district such as property 21 is a textbook example of how grassroots mineral exploration should be conducted. In a very short time this area has reached the stage where trenching and drilling is now necessary to pursue the development of the prospects and with continuing favourable results the property will take on the status of a stand alone project.'

ENDS

For more information please contact
Richard Prickett / Bill Humphries
HPD Exploration Plc
Tel: + 44 (0)20 7409 7444

Leesa Peters
Conduit PR
Tel: +44(0)20 7936 9095/
+44 (0) 781 215 9885

www.hpdexploration.com

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