



Patagonia Gold PLC : Final Results

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Patagonia Gold PLC
11 May 2004

PATAGONIA GOLD FINAL RESULTS

Chairman's statement

This last year has seen the emergence of Patagonia Gold Plc as a significant mineral explorer in the Patagonia district of South America. The financial result for the period under review shows a net loss of £1,738,351 (1.3p per share) reflecting the increased exploration activities of the Group.

The Company has built up a substantial portfolio of exploration properties both in Chile and Argentina totaling in excess of 3,200 sq. kilometers. Operationally, we have had up to ten geological teams in Patagonia led by Marc Sale and Glen Van Kerkvoort. These teams are extremely able and are widely thought to be some of the most effective and technically able in the region.

The Company is carrying out two significant drilling programmes at Coyhaique, Chile and Cerro Crespo, Argentina. A very positive progress report on these programmes was released on 31 March 2004 and full details of these projects are shown in the Operations Report.

During the period there were three important corporate events.

- In March 2003 the Company joined AIM on the London Stock Exchange, following the successful raising of £4 million: £2.3 million through a private placing in October 2002 and £1.7 million through an open offer and private placing on admission to AIM.
- In December 2003 the Company disposed of the majority of its interest in Landore Resources Inc. by way of an offer to existing shareholders. This disposal raised net funds of approximately £1.3 million, which have been deployed on exploration activities in South America.
- In December 2003 we acquired the remaining 50 per cent. of Patagonia Gold S.A. from our joint venture partners the Miguens/Bemberg family. We were delighted that our JV partners have elected to become major shareholders in the Company and as a result Mr Carlos Miguens and Mr Gonzalo Tanoira joined the Board as Deputy Chairman and Finance Director respectively. At that time Mr Neil Herbert and Mr David Dare retired from the Board and we wish to pass on our thanks and good wishes to them for their valued contribution to the Group.

In addition to our interests in South America we own a highly prospective package of exploration properties in New Zealand. As a result of the consolidation of our interests in Patagonia and the focus of the Group, we have offered these properties for sale or joint venture. Discussions have commenced with interested parties and an announcement will be made in due course as to the outcome of these discussions.

During this last year the gold price has stabilised at a level around US\$400 per oz and the majority of analysts expect the price to gradually improve in the long term.

Our objective is to discover near surface high grade gold projects which will show a substantial return at current gold prices.

We are also examining a number of new opportunities and shareholders will be kept informed on progress in these matters in due course.

Richard O. Prickett
Chairman

11 May 2004

Operations report

Executive summary

In the short time since the commencement of operations, in September 2002, Patagonia Gold Plc (PG), formerly HPD Exploration Plc, has rapidly developed from a fledgling Junior, with largely unexplored properties in the Chubut province of Argentina, to become one of the most prominent pure exploration companies in the Patagonian region of South America, with a large portfolio of highly prospective properties containing numerous precious metals discoveries together with two advanced projects of Crespo and Coyhaique.

PG has assembled a skilled team of geological professionals, technicians and support staff who operate out of the two main bases at Puerto Madryn, on the east coast of Chubut, and the city of Coyhaique, in southern Chile, with a further field base at the town of Gobernador Costa in west central Chubut for the Crespo project.

At the height of the recent exploration season PG, through its Argentine and Chilean subsidiaries, employed 10 geological teams aided by internationally renowned consultants, Dr Richard Sillitoe and Chris Cooper, together with up to 30 support technicians and field staff.

PG's exploration team enjoys a high discovery rate with over half the properties explored providing sufficiently encouraging results, including the discovery of significant epithermal veins on several of the properties, to warrant second pass exploration, which includes the identification of potential drill targets. This success supports, firstly, the technical management expertise and experience in the selection of the properties and secondly, the tried and tested method of exploration with geologists on the ground.

Undoubtedly the highlight of the period was the discovery on property 21, now the Crespo Project, of the large vein fields, Cabana, Jasper and Crespo, each containing swarms of epithermal veins ranging in thickness from 0.5 metres to 5 metres and reporting chip samples grades of up to 15.8 g/t gold. Crespo was given high priority for second pass intensive exploration and by late 2003 had been selected for an exploration drill campaign.

Drilling commenced in late February of this year and up to the end of April over 5,600 metres of Reverse Circulation (RC) drilling has been completed over the Cabana and Jasper vein fields. Results to date are very encouraging with numerous high-grade intersections being recorded on the Cabana zone. Results are not yet to hand on Jasper. Drilling is continuing to test the depth of mineralisation and the extension of the east-west structure.

In July 2003 PG entered into an agreement with Westmag Ltd. of Australia for an exclusive option to purchase up to 75 per cent. of their Coyhaique Gold Project, located in southern Chile. Homestake Mining held the property in the early 1990's completing preliminary exploration, which effectively outlined the broad potential of the property. Drilling commenced in November 2003 and by the completion of the Phase I campaign in late March a total of 5,299 metres of RC drilling had been completed predominately on the two most prominent veins Adriana and Violetta, both massive structures of 4 to 9 metres width and strike length of circa 1,000 metres and 1,500 metres respectively. The consistency of the grades, generally in the range of 2-4 g/t gold, together with the size of the veins is encouraging. Resource definition and metallurgical studies are currently in progress.

The Coyhaique vein field is substantial, with numerous structures yet untested. Preparations are in hand for next season's drill campaign.

PG has maintained a strong awareness of its responsibilities towards the environment and existing social structures. Careful attention is given to ensure that all exploration work is carried out strictly within the guidelines of the relevant mining and environmental acts.

Environmental impact studies were completed and submitted for the Cuya, Crespo and Coyhaique projects, the latter being to a pre-feasibility level. The Provincial Mining Directorate's agents together with representatives from the local communities have frequently inspected our activities and have expressed their satisfaction towards the responsible manner in which PG carries out its operations.

PG attempts, where possible, to hire local personnel and use local contractors

and suppliers.

An Argentine public relations consultant has been engaged to represent PG at all meetings with local, provincial and federal government agencies.

Land

PG, through its two 100 per cent. controlled subsidiaries, Patagonia Gold SA (PGSA) in Argentina and Patagonia Gold SCM (PSCM) in Chile, hold exploration or mineral exploitation permits or have under application or option to purchase the following property areas:

Argentina

Rio Negro	153km2
Chubut	2,495km2
Santa Cruz	99km2
Bagalciaga option	207km2
Chile	
Patagonia	53km2
WestMag option	197km2
Total	3,204km2

In Argentina PGSA has recently lodged applications for a further 5 cateos for a total of 500 km2 along the Argentine border to the south of Esquel (52 to 56 on the property plan).

Crespo

The Crespo Project is located in the south west of Chubut, in Argentine Patagonia, approximately 150km south of Esquel. The total area of the Project is 405km2, comprising five cateos held 100 per cent. by PG of area 375km2 and three minas of area 30km2 which PG has the option to purchase from a third party.

The discovery of the Crespo Project vein fields is considered a textbook success of a mixture of modern and traditional exploration techniques. Initial ground exploration was instigated in the summer of 2002 on property 21 after satellite image interrogation outlined a favourable alteration and structural setting. Field geologists confirmed the geological potential of the area by mapping and sampling the main zones of veining initially discovered, subsequently named Cabana, Jasper and Crespo. These zones are all centred on cateos held by PG.

This first pass sampling and broad scale mapping was followed up in September of 2003 with more detailed mapping and sampling which successfully defined potential drill targets. An Environmental Impact study was then submitted to the Chubut Mines Department, approval for which was received in December 2003.

The detailed fieldwork formed the basis of an extensive sawn channel sampling programme, which, in turn, led to the definition of the current drill programme at the Cabana and Jasper veins.

By late April, 102 RC holes, for a total of 5,563 metres, had been drilled along the main outcropping structure at Cabana (3,880m) and the series of sub parallel veins at Jasper (1,683m). Drilling has successfully identified a 200m long 'shoot' containing significant intersections of gold, the more notable of which are tabulated below as well as the surface sawn channel sample results.

Cabana zone

Significant drill hole intersections

Drill Hole	From metres	Intersection metres	Gold b/g (ppm)	Silver g/t (ppm)
CR-02	9	8	8.68	4.8
Incl.		2	27.40	11.6
CR-31	27	4	8.57	2.9
CR-33	28	7	8.24	2.9
Incl.		1	41.40	12.4
CR-35	17	4	8.70	3.7
CR-69	7	3	14.51	6.7
CR-70	4	2	9.85	2.5

Significant swan channel intersections

Channel	From metres	Intersection metres	Gold g/t (ppm)	Silver g/t (ppm)
TCP-02	126.5	3.5	12.50	9.5
TCP-02	137.50	3.5	5.87	2.6

TCP-03	135.5	10.3	9.02	4.5
TCP-05	192.50	4.9	2.86	5.8

Results are pending for the Jasper drilling. Diamond drilling will now be undertaken to assist geological interpretation together with further RC drilling to test deeper sections of the vein in the area of the shoot.

Reconnaissance mapping has shown that the greater Crespo Project area contains potential for further vein field discoveries. A property wide drainage-sampling programme of the Crespo blocks is presently underway with results available to date indicating new zones in the northwest of the property. During this programme several areas of additional veining have been identified which will form the focus of future mapping and sampling.

Coyhaique

The Coyhaique Project is located in Region XI in southern Chile, centred on an area 20 kilometres to the east south east of the regional capital Coyhaique. The Project comprises 78 contiguous mineral concessions totalling 20,800 hectares within an area 30 kilometres long by 4 to 12 kilometres wide adjacent to the Argentine border. Access and infrastructure are excellent.

In July 2003 PG, through its 100 per cent. owned subsidiary PSCM, entered into an agreement with WestMag Limited of Australia for the right to earn 51 per cent. of the Project by spending US\$4 million, and then to 75 per cent. with an expenditure of a further US\$4 million.

The project lies at the northwestern margin of the Deseado Massif, a broad volcanic plateau occupying a large area of the Province of Santa Cruz in Argentina, host to numerous significant low sulphidation epithermal gold/silver deposits, including the Cerro Vanguardia mine of Anglogold. The project is also situated in the foothills of the Andean cordillera some 300 kilometres south of the Esquel Gold Project.

The Phase 1 drilling campaign at Coyhaique concluded in March 2004, with 5,299 meters of RC drilling being completed for a total of 81 holes. The majority of these holes were drilled along extensive sections of the two most prominent veins, Adriana and Violeta, at 40-metre spacing close to the outcrop, with 25 metre step-back holes at 80-metre spacing. Other areas drilled with exploratory holes were Valenzuela, The Ridge and Pollux Norte. Systematic trenching and sawn channel sampling has also been undertaken on the above zones.

Coyhaique significant drill hole intersections:

Violeta vein

Drill Hole	From metres	Intersection metres	Gold b/g (ppm)	Silver g/t (ppm)
RC-98	49	3	3.64	26.6
RC-103	9	9	3.90	29.1
RC-112	15	3	3.87	17.0

Adriana vein

RC-58	9	9	3.20	20.9
RC-60	6	8	3.03	34.1
RC-72	35	3	5.63	73.6
RC-75	7	3	4.21	5.0
RC-122	125	4	6.14	24.6

The close pattern drilling and sawn channel sampling on the Adriana and Violeta veins show that the tenor and widths of the structures are maintained in the near surface zone. Interpretation of results indicates the presence of a shoot extending to depth in Adriana and another lesser one in Violeta that are not closed off at depth and will require further drilling to establish their extent. Significant sections of both veins are exposed at surface, Violeta up to 10m in outcrop, giving easy access to potential ore material.

A sawn channel sampling programme of the two main veins has also been completed. Significant channel results received to date include:

Adriana vein

Channel

Drill Hole	Intersection metres	Gold b/g (ppm)	Silver g/t (ppm)
ADR-1	6.0	2.84	29.3
ADR-2	6.0	2.72	33.9
ADR-3	8.0	2.61	20.8

Violeta vein

VIO-1	5.0	2.71	18.7
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VIO-8	4.0	5.26	28.9
VIO-11	1.0	63.90	1,055.0
VIO-16	6.0	4.31	19.5

Sawn channel sampling for other prospects is ongoing, currently focussing on Lilly, Mirador and Susana and has to date produced a number of encouraging results. Exploration of the Project area is continuing with reconnaissance systematically identifying veins and extensions ahead of mapping and sampling.

These works are in preparation for the second Phase drill campaign scheduled to commence later this year.

In-house resource figures are currently being prepared for the Violeta and Adriana veins together with initial metallurgical studies, consisting of bottle roll gold and silver extraction tests.

Cuya

In early 2002, PGSA entered into an agreement with APAC Minerals Inc. (APAC) of Canada for an exclusive option to purchase up to 80 per cent. of the Cuya and El Puesto epithermal gold prospects in the Los Menucos district in the Rio Negro province of Argentina. The Agreement comprised three concessions totalling 83 km² on the Cuya prospect and three concessions totalling 89 km² on the El Puesto prospect.

APAC carried out extensive exploration of the Los Menucos district from 1999 to 2001, including 8,000 metres of exploratory drilling, which led to the discovery of the Cuya and the El Puesto prospects. Both properties contain areas of known epithermal gold mineralisation. PG was attracted to Cuya, by previous work carried out on the property by Rio Tinto Mining and Exploration Ltd who's consulting geologist interpreted the Cuya hill to be slightly above the upper levels of high-grade precious metals mineralisation.

After compiling all available data, a diamond and RC drill programme was designed to explore the identified mineralisation as well as to test the above hypothesis.

Drilling commenced in February 2002 with a total of 2,478 metres drilled for 29 holes, comprising 7 diamond holes for 1,071 metres and 22 RC holes for 1,407 metres. Holes were drilled up to depths of 300 metres with no high-grade assays being recorded. Low-grade mineralisation was generally reported from surface to a depth of 80-100 metres.

Better intersections from the drill programme included: CYD-01 from 35.75m with 1.15m @ 1.33g/t gold; CYD-08 from 48.8m with 1.1m @ 2.5g/t gold and CYR-16 from 26m with 2.0m @ 1.13g/t gold.

In light of the unsatisfactory results, PG elected to terminate the agreement and as a result, no further interest has been retained in the Cuya mining concessions.

Exploration

Field exploration is currently being carried out in the following areas of Argentina:

The Gastre block, of 6 contiguous cateos covering 550km² square kilometres of ground on a proven mineralised belt, is located in north-central Chubut. The property lies between IMA's silver rich 'Navidad' project in the southeast and Aquiline's epithermal gold-silver 'Calcatreu' project in the northwest. Numerous alteration centres have been defined with sampling to date returning values up to 2.1 g/t gold, 52g/t silver and 2.3 per cent. copper. Quantec Geophysics has been engaged to conduct a ground geophysical survey to be completed in May aimed at defining drill targets for massive sulphide or vein style mineralisation as part of next season's drilling activity.

On properties 20 and adjacent property 24, field exploration indicates the presence of a buried epithermal vein system evidenced by a silica sinter terraces containing highly anomalous levels of mercury, arsenic and antimony, an extensive area of argillic alteration and anomalous gold returned from sampling of high-level veinlets. Continuing work on this property is aimed at defining prospective structures in order to drill test the appropriate levels for the presence of fissure veins.

Other properties have potential in anomalous geochemistry hosted in favourable geological environments. These include: property 43, reporting >400g/t silver as well as over 1g/t gold; property 36, with gold values over 3g/t and silver up to 139g/t. and the Cristinas block, (under option) which has returned values of 9.6g/t gold and 137g/t silver in separate samples.

In Chile the Cerro Aguja Prospect (property 30), some 150 km. south of Esquel,

is considered a high sulphidation epithermal gold system, such as Barrick Gold's Veladero deposit in Argentina. These systems typically form large low-grade gold deposits. The geology at Cerro Aguja comprises a central diatreme breccia, 1000m long x 250m wide developed at the intersection of northwest and northeast regional faults. Grades of up to 1.90 g/t gold have come from float samples collected adjacent to the pinnacle.

All of these properties will have follow up mapping and sampling scheduled for the next summer field season. Property acquisition: there are presently two geological teams operating in Chile exploring highly prospective land for possible acquisition, with reconnaissance of areas to the north and the south of Coyhaique revealing prospective geology with significant veining.

New Zealand

PG focuses its activities in New Zealand through its wholly owned subsidiary, HPD New Zealand Limited. This company was formed in August 2002 to explore and develop precious metal properties on the North and South Islands of New Zealand where there exists a high expectation for the potential discovery of significant gold resources.

Twelve properties have been granted to date, comprising 8 Prospecting permits and 4 Exploration permits, with a further two being processed, giving a total area currently under license or application of 5,678km².

There are three areas of land holdings. The first, with the most potential at this stage, is in the central Otago region of the south island where significant historical workings exist but very little contemporary exploration has been undertaken. The second is in the north Island where a significant land holding has been acquired in the vicinity of the Waihi gold mine and the third area, considered more grass roots, is located in the Marlborough district on the South Island.

Work programmes for the first year were completed as planned, comprising data assimilation and initial field reconnaissance on the granted Otago permits.

The Otago area consist of four property blocks:

Skippers/Macetown: Historical Production in the area is considerable (one reef reporting 40,000 oz at 16 g/t gold). The Macetown Field has produced in the order of 1.28 tonnes of gold.

Bendigo: This property contains extensive alluvial workings, which have not been adequately explored for a source.

Barewood: Exploration has confirmed the presence of gold in significant concentrations within the Barewood Fault and a number of smaller, parallel structures (chip samples up to 32.2 g/t gold; and in trench channel 6m @ 5.23 g/t gold).

Nenthorn: Gold was discovered in 1888 at Nenthorn and there has been reported mine production of 3,593 oz of gold from 7,157 tons (15.6 g/t recovery grade). The property is within sight of the Macreas Gold Mine, which has produced 1.3 million oz of gold since mining commenced in 1990.

In order to focus all activities on its properties in South America, PG has invited expressions of interest for the outright purchase or Joint Venture proposal, for its 100 per cent. owned exploration company HPD New Zealand Limited and the properties contained therein.

Bill Humphries
Managing Director
11 May 2004

Consolidated profit and loss account
for the period 1 October 2002 to 31 December 2003

1 October 2002	Year to
to	
31 December	30 September
2003	2002
£	£

Administrative expenses and exploration

costs before	(1,250,605)	(191,387)
goodwill amortisation		
Amortisation of goodwill	(62,550)	(23,247)
	-----	-----
Total administrative expense and exploration costs	(1,313,155)	(214,634)
AIM listing expenses	(297,798)	-
Other operating income	-	6,529
	-----	-----
Operating loss	(1,610,953)	(208,105)
Share of operating loss in Patagonian joint venture	(433,100)	(19,614)
Share of operating loss in Canadian associate	(253,540)	(2,702)
	-----	-----
Total operating loss:		
Group and share of joint venture and associate	(2,297,593)	(230,421)
Profit/(loss) on disposal of interest in associate	486,178	(621)
Interest receivable	73,064	18,342
	-----	-----
Loss on ordinary activities before taxation	(1,738,351)	(212,700)
Tax on loss on ordinary activities	-	-
	-----	-----
Retained loss for the period/year	(1,738,351)	(212,700)
	-----	-----
Loss per share	(1.3p)	(0.2p)
Diluted loss per share	(1.3p)	(0.2p)

All activities are continuing during the current and previous period.

There is no difference between results as stated and results on a historical cost basis.

Consolidated balance sheet
at 31 December 2003

	31 December 2003		30 September 2002	
	£	£	£	£
Fixed assets				
Intangible fixed assets		15,055,831		446,313
Tangible fixed assets		54,171		9,500
Investments				
Share of net assets	-	18,650		
Other investments	85,210	1		
	-----	-----		
		85,210		18,651
		-----		-----
Total fixed assets		15,184,212		474,464
Current assets				
Debtors	145,251	92,529		
Cash at bank and in hand	3,083,419	530,850		
	-----	-----		
	3,228,670	623,379		
Creditors:				
amounts falling due within one year	(181,815)	(30,868)		
	-----	-----		
Net current assets		3,046,855		592,511
		-----		-----
Total assets				

less current liabilities	18,231,067	1,066,975
Provisions for liabilities and charges		
Investment in joint venture:		
Share of gross assets	-	17,125
Share of gross liabilities	-	(56,397)
	-----	-----
		(39,272)
Other provisions		(27,492)
	-	(66,764)
	-----	-----
Net assets	18,231,067	1,000,211
	-----	-----
Capital and reserves		
Called up share capital	2,242,314	1,047,073
Share premium account	18,092,425	249,111
Profit and loss account	(2,103,672)	(295,973)
	-----	-----
Equity shareholders' funds	18,231,067	1,000,211

Company balance sheet
at 31 December 2003

	31 December 2003 £	30 September 2002 £
Fixed assets		
Tangible fixed assets	7,729	9,500
Investments	15,881,359	535,276
	-----	-----
	15,889,088	54,776
Current assets		
Debtors	225,689	92,529
Cash at bank and in hand	2,952,778	530,850
	-----	-----
	3,178,467	623,379
Creditors: amounts falling due within one year	(134,817)	(30,868)
	-----	-----
Net current assets	3,043,650	592,511
	-----	-----
Total assets less current liabilities	18,932,738	1,137,287
Provisions for liabilities and charges	-	(27,492)
	-----	-----
Net assets	18,932,738	1,109,795
	-----	-----
Capital and reserves		
Called up share capital	2,242,314	1,047,073
Share premium account	18,092,425	249,111
Profit and loss account	(1,402,001)	(186,389)
	-----	-----
Equity shareholders' funds	18,932,738	1,109,795
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Consolidated statement of total recognised gains and losses
for the period 1 October 2002 to 31 December 2003

1 October 2002

Year to 30

	to 31 December 2003 £	September 2002 £
Loss attributable to shareholders of Patagonia Gold PLC	(1,738,351)	(212,700)
Unrealised exchange rate movements	(69,348)	(10,822)
	-----	-----
Total recognised losses for the period/year	(1,807,699)	(223,522)
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Consolidated cash flow statement
For the period 1 October 2002 to 31 December 2003

	1 October 2002 to 31 December 2003 £	Year to 30 September 2002 £
Net cash outflow from operating activities	(1,486,914)	(227,527)
Returns on investments and servicing of finance	64,951	18,458
Capital expenditure	(2,760)	(10,000)
Acquisitions and disposals	(37,757)	(6,425)
	-----	-----
Net cash outflow before use of liquid resources and financing	(1,462,480)	(225,494)
Management of liquid resources	(2,406,796)	24,933
Financing	4,015,049	170,230
	-----	-----
Increase/(decrease) in cash in the period/year	145,773	(30,331)

The financial information set out above does not constitute the company's statutory accounts for the period ended 31 December 2003 or the year ended 30 September 2002 but is derived from those accounts. Statutory accounts for 2002 have been delivered to the registrar of companies, and those for 2003 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985

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