Patagonia Gold PLC : 2011 Year End Financial Results

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Preliminary Announcement

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

2011 Year End Financial Results

Patagonia Gold Plc (AIM: PGD, TSX: PAT), advanced mining exploration company with gold and silver projects in the southern Patagonia region of Argentina, announces the financial results for the year ended December 31, 2011. The functional currency of the Company remains British pounds sterling but the reporting currency has been changed to the United States dollar as discussed in note 2. These preliminary results are presented in United States dollars ("$") unless otherwise stated.

2011 FINANCIAL HIGHLIGHTS

- In April and May, the Company raised approximately $39.2 million in equity capital before expenses. These funds were used in 2011 to finance the accelerated drilling program at the Company's flagship Cap-Oeste gold and silver Project ("Cap-Oeste Project"), the construction and operation of the Lomada de Leiva gold project ("Lomada Project") heap leach trial and to commence the development and construction of the high-grade Cap-Oeste South East Project ("COSE Project").
- There were three new management appointees during the year - Philip C. Yee as Chief Financial Officer, Matthew Boyes as Chief Operating Officer and Stephen Ball as Mine Manager for the COSE Project.
- In November, the Company appointed two new independent directors to the Board - Edward J. Badida and Gary Sugar, and in December, Richard Prickett retired from the Board.
- In November, Patagonia appointed Computershare Investor Services PLC as Registrars to the Company.
- On December 7, 2011, the Company's shares commenced trading on the Toronto Stock Exchange ("TSX") under the symbol "PAT". The Company continues to trade on the London Alternative Investment Market ("AIM") exchange under the symbol "PGD".
- In December, the Company appointed Mirabaud Securities LLP to act as sole broker in the United Kingdom ("U.K.").
- As at December 31, 2011, the Company had $10.9 million in cash and cash equivalents, net of a bank overdraft.

2011 OPERATIONAL HIGHLIGHTS

- In March, the Company filed a National Instrument 43-101 ("NI 43-101") Compliant Resource and Preliminary Economic Assessment ("PEA") on the COSE gold and silver deposit. The Resource included 63,835 ounces of gold equivalent ("AuEq") in the indicated category and 42,557 ounce AuEq in the inferred category grading 60.06 g/t gold and 1,933 g/t silver.
- In March, Patagonia and Barrick Exploraciones Argentina S.A. and Minera Rodeo S.A. (the "Barrick Sellers") amended the property acquisition agreement (the "Barrick Agreement"), whereby the "Back in Right" was exchanged for a 2.5% net smelter return ("NSR") royalty in favour of the Barrick Sellers on all future production of mineral products from the properties sold to Patagonia Gold S.A. ("PGSA") under the Barrick Agreement.

- In May, the construction of the Lomada Project heap leach trial was completed on time and on budget, and was successfully commissioned.
- In October, Patagonia and PGSA formalized the "Fomicruz Agreement" with Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz"), an established mining company wholly-owned by the government of Santa Cruz, which set out the terms and conditions for a strategic partnership for the future development of certain PGSA mining properties in the Province of Santa Cruz. This agreement required Fomicruz to contribute the rights to explore and mine 100,000 hectares of its mining properties, in exchange for a 10% interest in PGSA.
- In October, Patagonia commenced construction of a new camp and workshop facilities at the COSE Project site.
- In November, the Company filed an updated NI 43-101 compliant resource for the Cap-Oeste Project increasing indicated resources by 165% to 966,972 ounces AuEq and increasing inferred resources by 324% to 228,968 ounce AuEq.
- For 2011, Patagonia completed 61,650 metres of exploration drilling for the year, an increase of 34,748 metres or 129.2% from 2010 exploration drilling of 26,902 metres. Exploration expenditures increased to $18.7 million in 2011 from $7.2 million in 2010, an increase of $11.5 million or 159.7% from 2010.
- During 2011, the Company filed two NI 43-101 technical reports. An initial resource was established at the COSE Project and a second resource update was completed for the Cap-Oeste Project. As a result, total overall indicated resources for the Company increased by 67% to 1,247,837 ounces AuEq and total overall inferred resources rose by 202% to 435,935 ounces AuEq.
- In December 2011, the Company acquired the surface rights to the 20,000 hectare Estancia El Tranquilo property. Patagonia considers the ownership of this land and the mineral rights essential for the orderly and unencumbered development of its projects.

Subsequent Events:

- In January and March 2012, Patagonia announced new drilling results for the Cap-Oeste Project, confirming the continuation of high-grade gold and silver mineralization along strike to the northwest of the Main Shoot of the Cap-Oeste deposit.
- In February 2012, the Phase 3 drilling campaign at the Cap-Oeste Project, consisting of 57 drill holes totalling 20,210 metres was completed.
- In February 2012, the Company hosted an industry analyst tour of its main properties in Santa Cruz.
- In February 2012, the Company announced the test metallurgical results for the Cap-Oeste Project which highlighted the potential for good recoveries of both gold and silver.
- In March 2012, the Company announced that two drill holes were completed on the COSE deposit to obtain material for metallurgical test work and for a smelter off-take marketing study. In addition, four step-out holes along strike of COSE to the northwest towards the Cap-Oeste mineralization reported elevated gold and silver values.
- Phase 4 drilling at the Cap-Oeste Project is in progress. It is focussed on extending the resource envelope from the Cap-Oeste deposit along strike two kilometres to La Pampa and exploring the 1.8 kilometres of unexplored strike between the Cap-Oeste and the COSE Projects.

The following financial statements for the Company are abbreviated versions. The Company's complete financial statements for the twelve months ended December 31, 2011 with the notes thereto and the related Management Discussion and Analysis can be found either on Patagonia Gold's website at www.patagoniagold.com or on SEDAR at www.sedar.com in due course. All amounts are in US$ thousands, except share and per share amounts.

About Patagonia Gold

Patagonia Gold Plc is an advanced mining exploration company that seeks to grow shareholder value through the acquisition, exploration and development of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on the development of two properties: the flagship Cap-Oeste project and the nearby COSE project, which is expected to begin generating free cash flow by 2013. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina and Chile, covering approximately 800,000 hectares, being one of the largest landholders in the province of Santa Cruz. The Company is headquartered in London, with subsidiary offices in Buenos Aires and Toronto.

Patagonia Gold is listed on the Toronto Stock Exchange (TSX) under the symbol PAT and has been listed on the AIM market of the London Stock Exchange under the symbol PGD.L since 2003.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION: This news release includes certain information that may constitute "forward-looking information" under applicable securities legislation. Forward looking information includes, but is not limited to, statements about the commencement of underground mining operations at the COSE project, forecasts as to free-cash flow, strategic plans, mineral resources estimates, future operations, results of exploration,, future works programs, capital expenditures and objectives. Forward-looking information is necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in the Company's public disclosure. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of management and information available to management at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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Chairman's statement

I am pleased to present the 2011 Annual Report of Patagonia Gold Plc. The 2011 report includes a new section entitled the Management Discussion and Analysis ("MD&A"), which is mandatory for companies listed on the Toronto Stock Exchange ("TSX"), which we hope you will find instructive and useful.

The Company achieved rapid progress during the year as we executed our strategy, accelerating the transition from an exploration company to a precious metals producer. We are well on track towards our objective of producing 200,000 ounces of gold a year by 2015.

Our exploration program in 2011 more than doubled the metres drilled in 2010. Assays confirmed strong mineralization, with the results set out in several new NI 43-101 compliant reports that raised the total indicated resources to 1.3 million ounces of gold equivalent. We focussed exploration at our flagship Cap-Oeste Project while at the nearby high-grade COSE gold project we paved the way for an intensive mine development schedule that aims for gold production to begin in early 2013. Meanwhile, at our Lomada de Leiva Project, we achieved gold production at a surface mine and pilot heap leach pad and are preparing to quadruple its processing capacity in 2012 to full commercial production.

Our exploration and development activities during the first five months of 2011 were financed by an equity placement in April 2010. In April and May 2011, we replenished the Company's balance sheet with equity offerings that raised gross proceeds of $39.2 million. At year-end the Company's cash position was $11.3 million.

To broaden Patagonia Gold's exposure to global equity markets, the Board of Directors listed the Company's shares on the TSX in December 2011. In addition to providing direct access to a larger and more diverse audience of investors, the initiative will add to the liquidity of Patagonia Gold's shares and broaden the Company's international profile with research coverage from North American equity analysts. Of course the Company's shares continue to be quoted on the AIM market in London.

As Patagonia Gold evolves from an exploration operation to a mining company, revenues and expenses will increasingly be denominated in U.S. dollars. To reflect this, we changed our reporting currency from sterling to the U.S. dollar.

During 2011 Patagonia Gold negotiated two important arrangements with other companies. First, we fundamentally changed the 2007 land acquisition agreement with Barrick Gold Corporation by negotiating the removal of a back-in right (that could have resulted in Barrick regaining control of the properties under certain circumstances). This was replaced with a 2.5% net smelter return royalty, which more closely aligns our interests with those of Barrick.

We also finalized a definitive shareholder agreement with Fomicruz, the mining company owned by the Santa Cruz provincial government. Details are set out elsewhere in this report, but the accord's significance lies in a strategic long-term partnership being forged with an Argentinean government agency. The agreement reinforces our close ties to the Province of Santa Cruz. Fomicruz will be represented by resident management and board members who bring extensive in-country knowledge and experience. They share a common vision with Patagonia Gold and support our strategy by acting as a vital link with Argentinean governments, communities and stakeholders.

Patagonia Gold's Board of Directors underwent some changes during 2011. Richard Prickett, who has contributed greatly to the company over the past several years, retired and his wise counsel will be missed. We made two new appointments to the Board, Gary A. Sugar and Edward J. Badida, both leading figures in the Canadian financial and mining community, whose diverse strengths will serve the Company well as Patagonia Gold embarks on an important new phase of development and growth in 2012.

Sir John Craven
Non-Executive Chairman

April 24, 2012

Managing Director's Report

Patagonia Gold ("PGD") has moved strongly forward during the past 12 months continuing exploration on its highly prospective properties in the Santa Cruz province, Argentina, as well as preparing for precious metal production. PGD has accelerated exploration drilling to increase mineable resources on our Flagship Cap-Oeste project as well as assertively pursuing mine development and processing initiatives that aim to begin generating cash flow in 2013.

In November 2011 PGD reported updated indicated resources totalling 1,247,837 ounces AuEq and inferred resources totalling 435,935 ounces AuEq on the Cap-Oeste, COSE, Manchuria and Lomada deposits, all Canadian National Instrument 43-101 compliant. There is considerable potential for resource expansion with mineralization at the Cap-Oeste and La Manchuria projects remaining open in all directions, and mineralization at COSE open down plunge.

PGD's aim is to fund growth internally with sales of gold and silver mined from its properties. With this objective in mind, PGD's COSE property has been the focal point of considerable development within the past year.

In March 2011 PDG successfully completed a Preliminary Economic Assessment on its COSE property, which returned a Net Present Value of $63.7 million at a gold price of $1,204 per ounce and silver at $23.75 per ounce over a mine life expected to last only 23 months. The internal rate of return is expected to be an extraordinary 870%.

During Q3 2011 preparations began for underground mine development at COSE. By year end, key management are in place, including; Project Manager, Underground Engineers and Geologists, residential buildings are completed, workshops and processing facilities are well under way and new mining equipment had been delivered onsite.

Mining at COSE is scheduled to begin in early 2013, and is expected to start generating revenue in Q2 2013. Over the subsequent 12 months, COSE will partly fund development of the Cap-Oeste property into production.

PGD has achieved another step in becoming a commercial gold producer with further advancement of the heap leach operation at its Lomada project. The pilot project operated successfully at an initial capacity of 50,000 tonnes in late 2011, and during 2012 it will be quadrupled in size to a production level of 200,000 tonnes. Design of the processing facility, or "gold room", is complete and commissioning is scheduled for the second quarter of 2012.

By early 2013 Lomada is expected to be producing 21,000 ounces of gold a year at an average cash cost of $325 per ounce of gold. At that level, Lomada will be generating sufficient cash flow to fund all exploration drilling at PGSA's Santa Cruz properties for a mine life of at least seven years.

PGD has also been active on its other properties. During 2011, 8,800 metres of drilling was conducted on several prospects in close proximity to the Cap-Oeste and COSE projects. Much of this exploration work was at Monte Leon, where 5,527 metres was drilled on a newly discovered, 1.8 km long mineralized target area.

During 2011 Patagonia Gold achieved several important corporate milestones.

An important amendment was made to the original property acquisition agreement with Barrick Gold, which eliminated Barrick's Back-in Right in exchange for a 2.5% net smelter royalty. This will ensure no future impediments to property development and control.

At year-end 2011 PGD formalized an agreement with Fomicruz, the mining company owned by the Santa Cruz government. The accord contributes substantial land holdings for exploration and development by Patagonia Gold. In addition, PGD mitigated property ownership risk by negotiating deals with landowners that extend surface mining rights at Cap-Oeste, COSE and Lomada.

Since inception, Patagonia Gold has built a highly knowledgeable Argentinean management team and skilled local work force with extensive in-country mining experience. In addition, PGD maintains ties to the Argentinean business community, providing an important liaison with the national and provincial governments.

Going forward, Patagonia Gold will continue to execute on its growth strategy, which consists of:

1. Expanding resources at Cap-Oeste in preparation for mine development;
2. Accelerating development and mining of COSE to partly fund Cap-Oeste;
3. Expanding the Lomada heap leach operation to fund exploration activities; and
4. Exploring prospective properties to discover new deposits.

An ambitious 80,500 metre drilling program is in progress on our properties in Santa Cruz of which 40,500 metres has been planned for our Flagship Project, Cap-Oeste. Other prospective locations within the same property block and within mine trucking distance will be drilled, including COSE, Monte Leon, La Pampa, La Marciana, Vetas Norte and Don Pancho. PDG will also continue exploration on other prospects including La Manchuria, as well as regional targets Sarita, El Bagual and Bajo Pellegrini.

Patagonia Gold is well on its way to achieving its growth objective of producing 200,000 ounces of gold a year by 2015. The Company has achieved major milestones, thanks to the skill and diligence of its staff, the assistance and goodwill of its Argentinean hosts, the advice and counsel of its Board of Directors and the confidence of its shareholders. As Patagonia Gold reaches towards its goals in 2012, we look forward to a future of achievement, prosperity and excitement.

Bill Humphries
Chief Executive Officer

April 24, 2012

Operations Report
<u>Patagonia Gold's Properties</u>

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

Patagonia's 90%-owned operating company, Patagonia Gold S.A. ("PGSA"), owns exploration and development properties that cover a total of 350,000 hectares in Santa Cruz Province. Of this total, approximately 200,000 hectares were acquired in 2007 when PGSA purchased Barrick Gold Corporation's ("Barrick") entire exploration property portfolio in the very prospective volcanic plateau of the Deseado Massif. PGSA further expanded its land position by adding 100,000 hectares when it entered into the Fomicruz agreement (see below) in 2011. The remaining 50,000 hectares were acquired in smaller parcels.

Santa Cruz Province is the location of PGSA's four main properties. Cap-Oeste is the flagship project and the main focus of the Company is to bring the Cap-Oeste Project into development as a stand alone mine. Two kilometres along strike from Cap-Oeste is the smaller but strategically vital Cap-Oeste South-East (COSE) Project. The Lomada de Leiva and La Manchuria Projects are 120 kilometres and 50 kilometres away, respectively. The Lomada Project is located to the northwest close to Cerro Negro and the La Manchuria Project is situated within a regional corridor some 50 km's to the southeast. The other exploration leases within the PGSA portfolio are shown on the map along with the locations of the major producing and late stage development assets currently within the Deseado Massif.

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

Since the acquisition from Barrick, the Company has rapidly grown its resource base through the implementation of a thorough and aggressive exploration and development program. Exploration activities have consisted of surface sampling, trenching, geophysics, drilling and mapping. Resources delineated to date are listed in the table below.

Patagonia has the added advantage of having the Santa Cruz government as a strategic partner. Fomicruz, a government-owned mining company, gained 10% of PGSA in return for the rights to explore, develop and mine 100,000 hectares of Fomicruz's mining properties. This strategic partnership with Fomicruz also aims to develop a number of PGSA's projects, including the four main properties cited above.

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

Cap-Oeste Project

The Cap-Oeste Project is Patagonia's flagship project. It is located within a structural corridor extending 6 km from the La Pampa prospect in the northwest to the Tango prospect in the southeast. The Cap-Oeste deposit to date has an identified and delineated strike extent of 1.1 kilometres.

Since acquiring the property from Barrick in 2007, PGSA has drilled 340 holes for a total of 74,817 metres in that period to December 31, 2011. During that time, PGSA has filed three NI 43-101 resource estimates. The most recent, filed in November 2011, described Phase II and III exploration activities consisting of geologic mapping, excavation of five trenches and gathering of 82 channel samples, 295 drill holes totaling 48,858 metres, a petrographic study, topographic survey, three-dimensional modeling and geophysical surveys. Subsequent to December 31, 2011, the Company provided two updates of drill results and reported metallurgical testwork findings in the first quarter of 2012.

The rapid expansion of the mineralized deposit at the Cap-Oeste Project is reflected in the NI 43-101 resource estimates. In the most recent update, filed in November 2011, the Company reported indicated resources totaled 966,972 ounces of gold equivalent, which was 165% higher than the previous NI 43-101 resource estimate in September 2009. Inferred resources amounted to 228,968 ounces, or 324% higher than the previous estimate.

The most recent metallurgical testwork results, reported in February 2012, were highly encouraging. Oxide samples recovered up to 98.8% gold and 97.5% silver, while sulphide samples returned up to 88.3% gold and 95.5% silver. Additional metallurgical testwork programs are ongoing and will continue throughout the pre-feasibility and feasibility study period. Currently a testwork program analysing 1,000 kg of material is scheduled to commence in the second quarter of 2012 and conclude in the third quarter.

The Phase III infill and extension drilling campaign at Cap-Oeste consisted of 57 drill holes totaling 20,210 metres. It concluded in early February to allow for the preparation of a fourth NI 43-101 resource estimate, scheduled for release in second quarter of 2012.

Phase IV step-out drilling at Cap-Oeste began in March 2012 with three rigs turning on the property. A program totalling 40,500 metres of diamond drilling has been approved for 2012 with the focus on the six kilometre structural corridor from La Pampa to Tango and including the COSE Project.

The development timeline for Cap-Oeste will see a pre-feasibility study completed in early 2013, a full feasibility study filed by the end of 2013, permitting and commencement of construction in 2014 and full production commencing in 2015.

COSE Project

Cap-Oeste Southeast (COSE), located two km along strike from Cap-Oeste, is scheduled to be the second mine to be brought into production within the PGSA portfolio. The primary objective is to capitalize on the significant short-term cash flow which the COSE Project can potentially provide and to reduce the overall reliance on external funding for the construction of the main Cap-Oeste Project.

COSE is a fault breccia hosted quartz sulphide rich Au Ag system hosted within the intersection of the steeply dipping COSE (extension of Bonanza) fault and cross cutting northeast and southwest trending structures. The mineralization was discovered in early 2010 during exploration along the Bonanza fault towards Tango. Results from initial drilling indicated that the grades intersected might lead to the delineation of a stand-alone resource for short-term development. This proved to be the case with a resource in excess of 100,000 AuEq ounces being delineated in approximately 36,000 tonnes of material.

In 2010 the company filed the maiden NI 43-101 resource estimate for the COSE Project. At the same time a preliminary economic assessment, or scoping study, was completed to establish viability for the construction, mining and processing of the deposit. Drilling continued in 2011, and at the end of the year, a total of 69 holes had been completed as part of a multi-year campaign totaling almost 20,000 metres from 2008 to 2011.

Wide low grade or diffuse zones of Ag rich low-grade Au mineralization characterize the mineralization outcrops at surface and within the first 130 metres vertically down dip. Below 130 metres and continuing to a currently delineated depth of 260 metres, the width of the fault hosted breccia decreases and the grade of both Au and Ag increase exponentially leading in turn to the overall resource grade being estimated in excess of 90 g/t Au Eq. The mineralization is still open at depth and one of the objectives of the decline development is to create a drill access gallery area to fully test the down dip potential.

The scoping study showed the deposit to have very attractive financial characteristics that included a production rate of 3,600 tonnes per month at a cash cost of $167 per tonne, net revenue of $63.7 million (assuming gold price of $1,204 per ounce and Ag of 23.75 per ounce), net present value of $56.8 million at an 8% discount rate, an extraordinary internal rate of return of 870% and a payback period of only two months after the start of production.

These figures position the COSE Project as a near-term gold mine with a 13-month production lifespan, during which it can generate internal funding for the development of Cap-Oeste. Construction of the decline is scheduled to begin in second quarter of 2012 and is expected to take twelve months to complete. COSE is scheduled to begin production of ore in early 2013 and continue into 2014, approximately one year before the Cap-Oeste Project is slated to begin producing gold in 2015.

The deposit will be accessed via an underground decline from surface, mining will be carried out via implementation of varies methods including hand held, long hole or mechanized and underhand cut-and-fill pattern stoping. The material brought to the surface will be crushed, process bagged and sold as concentrate for smelter feed offshore.

Lomada de Leiva Project

The Lomada de Leiva Project is spearheading the Company's growth strategy by being the first mine to begin full-scale gold production.

Exploration drilling on the property soon after its acquisition in 2007 confirmed promising historical drill data and an NI 43-101 resource report was quickly filed the same year. A Preliminary Economic Assessment, or scoping study, followed in 2009. The scoping study found that the Lomada Project's minimal capital requirements, low cash cost of $299 per ounce of gold and strong cash flow potential made it suitable for a heap leach ore processing operation, and construction began in 2010. A 50,000 tonne trial heap leach operation used feed from surface mining onsite and tested according to specification during 2011. The leach pad is being expanded in the second phase of testing with a capacity of 200,000 tonnes in 2012. The final environmental impact assessment ("EIA") is scheduled for submission early second quarter of 2012 and represents the final step in the application process for the final permit and start up of full-scale production.

Design of the gold processing facility, or "gold room", is complete and commissioning is scheduled for the second quarter of 2012. Commercial production is scheduled to be under way in first quarter of 2013. At full capacity, the operation is expected to produce over 21,000 ounces of gold per year and the revenue will be used to fund the Company's annual exploration budget.

La Manchuria Project

The La Manchuria Project is unique among PGSA's main properties in that it is a "greenfield" site with no previous history of exploration or mining. Shortly after it was acquired in 2007, PGSA launched a three-year exploration program that included soil geochemistry, mapping, trenching, petrographic analysis and topographic surveying. Three drill campaigns in three years have been completed encompassing 110 drill holes totalling 17,847 metres.

An NI 43-101 resource estimate, released in September 2010, listed Indicated Resources at 55,684 ounces of gold equivalent and Inferred Resources of 90,682 ounces. High-grade gold and silver mineralization is open along strike to northeast and southeast.

Exploration in 2012 is planned to consist of a 4,000 metre drill campaign, together with sampling and assaying of 1,200 samples.

Matthew Boyes

Chief Operations Officer

Preliminary results
Consolidated statement of comprehensive income
for the year ended December 31, 2011

(thousands of $)	*Note*	*2011*	*2010 Restated**
Continuing operations			
Exploration costs		$ (16,193)	$ (7,237)
Administrative costs			
Share-based payments charge		(8,481)	(761)
Other administrative costs		(8,691)	(3,388)
		(17,172)	(4,149)
Finance income		228	115
Finance costs		(30)	(15)
Loss for the year		(33,167)	(11,286)
Other comprehensive (loss)/income			
(Loss)/gain on revaluation of available-for-sale financial assets		(131)	57
Exchange (loss)/gain on translation of foreign operations		(566)	111
Other comprehensive (loss)/income for the year		(697)	168
Total comprehensive loss for the year attributable to owners of the parent		$ (33,864)	$ (11,118)
Net loss per share ($)			
Basic loss per share	5	$ (0.05)	$ (0.02)
Diluted loss per share	5	$ (0.05)	$ (0.02)

* Previously reported numbers are restated in $ - see Note 2.

Preliminary results
Consolidated statement of financial position
at December 31, 2011

(thousands of $)	*2011*	*2010 Restated**	*2009 Restated**
ASSETS			
Non-current assets			
Property, plant and equipment	$ 7,350	$ 801	$ 257
Mineral properties	8,419	3,626	755
Mining rights	3,986	-	-
Available-for-sale financial assets	120	247	196
Other receivables	6,536	3,613	2,576

	26,411	8,287	3,784
Current assets			
Inventory	2,239	-	-
Trade and other receivables	360	106	143
Cash and cash equivalents	11,326	10,515	4,610
	13,925	10,621	4,753
Total assets	$ 40,336	$ 18,908	$ 8,537
LIABILITIES			
Current liabilities			
Bank overdraft	$ 380	$ 273	$ -
Trade and other payables	7,242	3,570	2,694
	7,622	3,843	2,694
Non-current liabilities			
Long-term accruals and provisions	852	189	2
Total liabilities	8,474	4,032	2,696
EQUITY			
Share capital	11,381	10,454	9,455
Share premium account	117,205	81,508	65,260
Currency translation reserve	3,349	1,850	(473)
Share-based payment reserve	10,941	2,967	2,339
Accumulated losses	(115,000)	(81,903)	(70,740)
Equity attributable to shareholders of the parent	27,876	14,876	5,841
Non-controlling interest	3,986	-	-
Total equity	31,862	14,876	5,841
Total liabilities and equity	$ 40,336	$ 18,908	$ 8,537

Company Registered number 3994744

* Previously reported numbers are restated in $ - see Note 2

Preliminary results
Consolidated statement of changes in equity for the year ended December 31, 2011

	Equity attributable to shareholders of the parent							
(thousands of $)	*Share capital*	*Share premium account*	*Currency translation reserve*	*Share-based payment reserve*	*Accumulated losses*	*Total attributable to owners*	*Non-controlling interests*	*Total equity*
At January 1, 2010 (restated Note 2*)	$ 9,455	$ 65,260	$ (473)	$ 2,339	$ (70,740)	$ 5,841	$ -	$ 5,841
Changes in equity for 2010								
Share-based payment	-	-	-	761	-	761	-	761
Issue of share capital								
Issue by placing	1,256	18,839	-	-	-	20,095	-	20,095
Transaction costs of placing	-	(856)	-	-	-	(856)	-	(856)
Exercise of option	15	138	-	(66)	66	153	-	153
Transactions with owners	1,271	18,121	-	695	66	20,153	-	20,153
Loss for the year	-	-	-	-	(11,286)	(11,286)	-	(11,286)
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets	-	-	-	-	57	57	-	57
Exchange differences on translation to $	(272)	(1,873)	2,323	(67)	-	111	-	111
Total comprehensive income (loss) for the year	(272)	(1,873)	2,323	(67)	(11,229)	(11,118)	-	(11,118)

At December 31, 2010 (restated Note 2*)	10,454	81,508	1,850	2,967	(81,903)	14,876	-	14,876
Changes in equity for 2011								
Share-based payment	-	-	-	8,481	-	8,481	-	8,481
Share-based payment on acquiring mining rights	-	-	-	-	-	-	3,986	3,986
Issue of share capital								
Issue by placing	933	38,255	-	-	-	39,188	-	39,188
Transaction costs of placing	-	(1,424)	-	-	-	(1,424)	-	(1,424)
Exercise of option	46	573	-	(201)	201	619	-	619
Transactions with owners	979	37,404	-	8,280	201	46,864	3,986	50,850
Loss for the year	-	-	-	-	(33,167)	(33,167)	-	(33,167)
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets	-	-	-	-	(131)	(131)	-	(131)
Exchange differences on translation to $	(52)	(1,707)	1,499	(306)	-	(566)	-	(566)
Total comprehensive income (loss) for the year	(52)	(1,707)	1,499	(306)	(33,298)	(33,864)	-	(33,864)
At December 31, 2011	$11,381	$117,205	$3,349	$10,941	$(115,000)	$27,876	$3,986	$31,862

* Previously reported numbers are restated in $ - see Note 2.

Preliminary results
Consolidated statement of cash flows
for the year ended December 31, 2011

(thousands of $)	*2011*	*2010 Restated**
Operating activities		
Net loss for the year	$ (33,167)	$ (11,286)
Adjustments for:		
Finance income	(228)	(115)
Depreciation	814	114
Increase in inventory	(2,239)	-
Increase in trade and other receivables	(3,177)	(1,000)
Increase in trade and other payables	3,672	876
Increase in long-term provisions	663	187
Share-based payments charge	8,481	761
Net cash used in operating activities	(25,181)	(10,463)
Investing activities		
Finance income	228	115
Purchase of property, plant and equipment	(7,503)	(697)
Increase in mineral properties	(4,988)	(2,871)
Net cash used in investing activities	(12,263)	(3,453)

Financing activities		
Proceeds from issue of share capital	37,764	19,239
Proceeds from exercise of options	619	153
Net cash from financing activities	38,383	19,392
Net increase in cash and cash equivalents	939	5,476
Cash and cash equivalents at beginning of year	10,242	4,610
Effects of exchange rate fluctuations on cash and cash equivalents	(235)	156
Cash and cash equivalents at end of year	$ 10,946	$ 10,242

* Previously reported numbers are restated in $ - see Note 2.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

NOTES

1. Status of financial information

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement and associated notes have been extracted from the Group's financial statements for the year ended December 31, 2011 (which have not yet been filed at Companies House) upon which the auditor's opinion is not modified and includes an emphasis of matter paragraph in respect of going concern, and does not include any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Change in presentational currency

With effect from January 1, 2011, the Group changed its presentational currency from GBP to $. The Directors believe that the presentational currency will be more accurately represented by the $ reflecting the gold and silver markets while also becoming the main currency of both income and on-going capital expenditure.

The change in presentational currency represents a change in accounting policy and in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, has been accounted for as a prior year adjustment.

3. PGSA and Fomicruz Agreement

In May 2008, Patagonia Gold S.A. ("PGSA") entered into a Letter of Intent ("Fomicruz LOI") with Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz"), a well established and respected mining company wholly owned by the pro-mining government of Santa Cruz Province, Argentina.

The Fomicruz LOI established the key terms and conditions of a strategic partnership between PGSA and government owned Fomicruz for the future development of certain PGSA mining properties in Santa Cruz Province, including the Lomada de Leiva gold project and the Cap-Oeste, COSE and La Manchuria Main Zone gold and silver projects, together with certain prospective properties previously owned by Fomicruz.

The agreement was formally ratified on May 21, 2009 and formalised on October 14, 2011,
through the signature of the Shareholders Agreement ("Fomicruz Agreement") between Patagonia, PGSA, and Fomicruz.

The Fomicruz Agreement sets out the terms and conditions for the management and development of PGSA, where the Company holds a 90% interest with the remaining 10% held by Fomicruz.

Fomicruz contributed to PGSA the rights to explore and mine approximately 100,000 hectares of Fomicruz's mining properties denominated Manchuria, Kaiken, La Marcelina, San Vicente, El Cóndor, La Australiana, La Esperanza and La última (the "Fomicruz Properties") located in the very prospective Deseado Massif, and close to PGSA´s El Tranquilo and La Manchuria block of properties.

The key terms of the Fomicruz Agreement included the following:

Patagonia funds 100% of all exploration expenditures on PGSA properties to the pre-feasibility stage, with no dilution to Fomicruz.

After the feasibility stage is reached, Fomicruz is obligated 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 on exploration expenditures on the Fomicruz Properties, 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.

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

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

On March 23, 2011 the 'Back in Right' from the original property acquisition agreement was eliminated in exchange for a 2.5% Net Smelter Return royalty in favour of the Barrick Sellers on all future production of mineral products on the properties sold to PGSA under the acquisition agreement. No revenues have been recognized to date, as the project has not commenced production. Under the original agreement PGSA had granted Barrick an option to buy back up to a 70% interest the properties sold to PGSA under the acquisition agreement upon the delineation of the greater of 2.0 million oz. of gold or gold equivalent NI 43-101 Indicated Resource on that property group going forward.

A further cash payment of $1.5 million will become payable to Barrick upon the delineation of 200,000 oz. or greater of gold or gold equivalent NI 43-101 Indicated Resource on the La Paloma Property Group. The amount has not been recognized, as there is no certainty of achieving the required Indicated Resource threshold.

5. Loss per share

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

	Year to December 31, 2011	*Year to December 31, 2010*
Loss after tax *(thousands of $)*	$ (33,167)	$ (11,286)
Weighted average number of shares	715,991,612	647,624,975
Basic and diluted loss per share ($)	$ (0.05)	$ (0.02)

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

At December 31, 2011, there were 64,145,000 (December 31, 2010: 49,450,000) share options in issue, which would have a potentially dilutive effect on the basic profit per share in the future.

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