



## Patagonia Gold PLC : Final Results

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Patagonia Gold PLC  
18 May 2005

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PATAGONIA GOLD PLC  
( 'Patagonia Gold' or 'the Company' )

FINAL RESULTS  
for the year ended 31 December 2004

Patagonia Gold announces its results for the year ended 31 December 2004.

### Chairman's statement

The financial result for the year showed a loss after amortisation of goodwill in the sum of £757,520, of £3,018,092 (2003: £1,738,351) representing a loss per share of 1.3p (2003:1.3p). The increase in the loss over the comparative period is a result of the acquisition in December 2003 of the remaining 50 per cent. interest in the Argentinean Joint Venture Company of which we now own 100 per cent.

Our budget for exploration and administrative costs runs at approximately US\$5 million per annum and has been funded from equity fund raisings. A placing of new shares to raise £2.8 million (approximately US\$5.25 million) was carried out in November 2004 at a price of 10p per share. Your directors and their associates contributed over half of the funds raised in order to maintain their positions and to underline their confidence in the Company's strategy.

During the year under review the Company has been actively exploring in South America and New Zealand with an emphasis and focus on several new and exciting properties.

Full details of the Company's explorations are set out in the attached Operations Report, the highlights being:

- The discovery of significant copper values and mineralisation at the Gastre property in the north central Chubut province of Argentina.
- Sample values being returned up to 28.1g/t gold at the Cerro Colorado Project in Chubut province south of the Esquel Gold Project.
- A mineralised structure at the Cerro el Morro Project being traced for over a kilometre showing values of up to 24.6 g/t gold. This project is in the Rio Negro province of Argentina.
- The already established Crespo Project in the Chubut Province of Argentina has identified discovery veins which confirm this as a gold rich district of high potential.

In December 2004 we announced the acquisition of Minamal SA from the Miguens/Bemberg family. The assets of this company are a 40 per cent. interest in the land adjacent to the Esquel Gold Project. This is a significant new asset for the Company in exploration properties which are located in a highly prospective new gold district.

We are most fortunate to have a strong local shareholder base through the Miguens/Bemberg family led by Carlos Miguens and Gonzalo Tanoira. Their involvement and local expertise has assured that we have maintained a social licence for our activities and in addition we adhere to very high environmental standards.

Demand for gold from around the world has put ever more pressure on supply, few major gold projects are coming on stream and the existing projects in production have finite reserves. As a result the gold price has remained strong and above US\$400 per oz.

We are fortunate to have a dedicated and professional team running our operations in South America. The Company's objective is to create shareholder value through the discovery of economic mineral deposits and by bringing these to production.

Sir John Craven  
Chairman  
18 May 2005

#### Executive summary

During 2004 Patagonia Gold Plc ('PGD') has continued to consolidate its strong position in the Southern region of South America, maintaining a disciplined approach towards the exploration and development of its substantial property portfolio, the acquisition of new properties and relinquishment of properties that fail to meet expectations.

At the height of the current exploration season PGD had eleven geological exploration teams, supported by two independent Consulting Geologists, working in Southern Argentina in the Rio Negro, Chubut and Santa Cruz provinces and in Southern Chile.

Two substantial exploratory drilling campaigns were completed on properties 600 kilometres apart, in Coyhaique (Chile), and Crespo (Argentina), a commendable achievement for both management and technical staff in just the second full year since the Company's formation. In addition the geological exploration teams continued with the exploration of PGD's other properties bringing several to the point where exploration drilling is now required.

The Crespo project, located in south central Chubut (Argentina), remains the most advanced prospective property in PGD's large portfolio.

Exploratory drilling on the Cabana and Jasper vein zones, completed in November 2004, returned significant high-grade gold intersections. These values were subsequently established to be associated with supergene enrichment and were generally restricted to the intersection of two main structures. Thus the exploration effort was refocused on other targets of merit within the Project, which now require drilling.

Results from a property wide stream sediment sampling programme has led to the discovery of five additional large vein zones, returning grades of up to 14g/t gold, further confirming Crespo as a gold rich district of high potential.

Drill testing of several of the new discoveries will be carried out in the 2005/6 season.

PGD's other advanced exploration property, showing high potential, is Cerro El Morro, located in the Rio Negro province, where sampling of the many vein sets contained within the property has returned values up to 24.6 g/t gold and 233 g/t silver. An Environmental Impact Study has been completed and submitted for a planned 2,000 metres scout drilling campaign.

There are several other highly prospective properties that have direct drilling targets for next season including Cerro Colorado, located in the Andean cordillera in the Chubut province, where significant values have been returned including 28.1 g/t gold and 233 g/t silver over 2 metres.

The highlight of the period was the exciting discovery at Gastre of significant disseminated copper mineralisation with values of \$am3 per cent. copper and associated silver values of 170g/t along strike and to the west of IMA's Navidad silver project. PGD's Gastre Block, consists of 10 cateos covering 950 square kilometres, and is located in north central Chubut within the proven mineralised belt that extends from IMA's Navidad silver project in the south east to Aquiline's tenements, containing the Calcatreu gold project, in the north west and is considered extremely prospective to host both base metal and precious metal mineralisation.

Exploration has been intensified at Gastre with two geological teams currently working to prove continuity of mineralisation along the 4.5 kilometre structure that joins the two discoveries, 'Copper Hill' and 'Copper Dome'.

Early in 2004 PGD formed a Public Relations team, located both in Buenos Aires and Chubut, specifically to deal with access for our properties. The team has been working with Federal and Provincial Governments, local authorities and landowners and has been successful in gaining access to many of the areas previously denied.

In December 2004 PGD acquired the entire issued capital of Minamal SA which holds 40 per cent. interests in three exploration companies, Huemules SA with 14 mineral properties, Leleque Exploration SA with 20 mineral properties and Minera Nahual Pan SA with 11 mineral properties. Meridian Gold Inc. holds the remaining 60 per cent. of these companies.

By acquiring Minamal SA, PGD gained a significant interest in a highly prospective area that is host to the Esquel Gold Project one of the world's largest high-grade gold deposits.

Intensive property wide exploration of the Coyhaique Project, including drilling of the four main veins, failed to meet expectations. PGD's target at Coyhaique was to identify a substantial economic deposit. Results did not provide sufficient confidence that this target would be achieved. Accordingly the option to purchase was relinquished.

PGD maintains 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. PGD attempts, where possible, to hire local personnel and use local contractors and suppliers.

PGD maintains a professional and extensive exploration commitment in South America with the prime objective of discovering and developing an economical mining project.

Bill Humphries  
Managing Director  
18 May 2005

Operations report  
Land

PGD through its three 100 per cent. controlled subsidiaries, Patagonia Gold SA in Argentina, Patagonia Gold SCM in Chile and HPD New Zealand Inc, hold exploration or mineral exploitation permits or has under application or option to purchase the following property areas:

Argentina	
Rio Negro	154 square kilometres
Chubut	3,156 square kilometres
Santa Cruz	70 square kilometres
Chile	
Region XI	104 square kilometres
New Zealand	
North and South Islands	4,630 square kilometres

Exploration

PGD is maintaining a high level of exploration activity in southern Argentina and Chile with up to eleven geologists and supporting technical staff, including consultants Nick Callan and Damien Koerber, operating in the Chubut, Rio Negro and Santa Cruz Provinces of Argentina and across the border in Chile.

Internationally renowned consultants Dick Sillitoe and Greg Corbett are used on an as needs basis.

Argentina

Crespo Project: Located in south western Chubut 200 kilometres south east of Esquel, the nearest town is Gobernador Costa immediately to the north of the project. The area is predominantly arid and low scrub with the main activity being sheep farming.

The project area consists of six cateos and three minas under option, covering an area of 535 square kilometres. The dominant geology of the area is Jurassic andesite volcanics forming a gentle undulating topography giving a subdued outcrop character and offering good access. Jurassic volcanics is a proven host for low sulphidation epithermal gold veins, as seen at Esquel and Cerro Vanguardia

Continued exploration of this established gold district has maintained the momentum of discovery.

Following successful exploration drilling of the Cabana vein on the Crespo Project in early 2004, which produced encouraging results with a high grade shoot being identified at the intersection of the main structure and an east-west vein-set, a follow-up programme was conducted in late 2004.

Significant results include

Hole	From	To	Interval (m)	Gold ppm	Silver ppm
CR-69	7.0	10.0	3.0	13.78	6.7
CR-70	4.0	6.0	2.0	12.03	2.5
CR-70	14.0	16.0	2.0	5.65	0.7
CD-86	28.0	33.6	5.6	8.82	27.1
CD-86	58.5	60.0	1.5	3.02	3.0
CD-86	65.2	67.0	1.8	2.23	1.6

The follow-up exploration drill programme targeted not only the Cabana vein but also mapped extensions to this and the Jasper vein which had, subsequent to the first programme, been mapped in detail, sampled, trenched and shown to be auriferous. This programme, comprising 45 holes for 2,168 metres, also successfully tested the anomalies defined by a geophysics programme in the Cabana, Jasper and intervening areas. Buried (hidden) quartz vein structures were intersected but gold tenure was below expectations.

Appraisal of the results of both programmes indicated that the high gold values encountered were associated with supergene enrichment and were generally restricted to the intersection of the two main structures with the remainder of the zones tested returning lower grades and inconsistent depth potential.

The Crespo Project area contains a number of veins other than Cabana and Jasper and exploration is continuing with interrogation of the newly acquired high definition 'Quickbird Landsat' in association with the BLEG (Bulk Leach Extractable Gold) anomalies generated from the stream sediment survey. This very successful exploration approach, combined with field investigation continues to reveal targets requiring detailed mapping and sampling. The BLEG survey has proved successful leading to the discovery of the Northern veins, extending over 2.2 kilometres, returning values up to 7.57 g/t gold and the Western veins returning values up to 14.2 g/t gold.

Continued exploration of this established gold district has maintained the momentum of discovery with two new sub parallel veins, extending for over 2.3 kilometres, having recently been discovered in the central southern part of the property. Mapping and sampling of these veins ('V' and 'Y') is currently in progress.

Additionally the Pedro vein has now been extended to over 2 kilometres with a number of grades \$am3g/t gold.

The recently completed geophysics survey conducted over the 'Paleosurface' successfully defined a 300 metres x 100 metres resistive zone with co-incident chargeability linking the two highest anomalous gold samples. The resistor may be the geophysical signature of a buried vein as it sits under a paleosurface containing fossilized plant remains potentially indicating a hot spring environment related to epithermal mineralisation.

The discovery of new veins and the extension of known mineralisation in the Crespo Project area confirm this as a gold rich district of high potential. Further discoveries are anticipated.

Environmental Impact Studies are currently being prepared for submission in advance of drill testing several of the above targets, anticipated early in the forthcoming field season.

The Gastre Block: Consisting of 10 cateos covering 950 square kilometres, is located in north central Chubut within the proven mineralised belt extending from IMA's Navidad silver project in the south east to Aquiline's tenements containing the Calcatreu gold project in the north west and is considered extremely prospective to host both base metal and precious metal mineralisation.

Mapping and sampling of the southern section of the claims, in a zone named Copper Hill, has identified significant disseminated copper mineralisation with values of \$am3 per cent. copper and associated silver values of 170g/t. The mineralisation is related to a robust linear structure in the same orientation and along strike from one of the major Navidad mineralised zones to the east. Over 4,500 metres to the west of Copper Hill, along the same trend, in an extensive area called Copper Dome, copper mineralisation has also been identified with values over 1 per cent. copper and 50g/t silver.

Significant samples include

Property	Sample	Copper percentage	Silver ppm
	33957	3.10	71.7
Gastre	33958	1.63	37.0
	33959	2.29	47.7
	33962	3.23	170.0
	33964	1.84	89.9

300 metres south east of Copper Hill at the base of the Canadon Asfalto sequence, (host to the Navidad deposit), rock chip samples have reported results of \$am3 per cent. copper and 71g/t silver as disseminated mineralisation at the Fenceline Prospect. In addition previous prospecting in an area adjacent to this copper rich trend returned values of up to 5.1g/t gold and 52g/t silver.

Mapping and sampling of this large area is continuing, expanding from the known mineralisation centres around Copper Hill. Modelling suggests metal zonation with increasing gold potential to the north. Further definition of the mineralised structure will be enhanced by a planned geophysics survey.

Cerro Colorado: This exciting prospect, comprising two 'minas' and a cateo covering almost 200 square kilometres, is located in the Andean cordillera to the south of Esquel, and contains mineralisation and extensive alteration typically associated with a hi-sulphidation gold system. Extensive chip channel sampling over the central zone, 700 metres long by 300 metres wide, of advanced argillic alteration has returned very significant gold results, including:

- 28.1g/t gold and 88.1g/t silver over 2 metres
- 6.22g/t gold and 28.3g/t silver over 7 metres
- 7.31g/t gold and 32.2g/t silver over 5 metres
- 6.65g/t gold and 65.6g/t silver over 7 metres

The tenor of these results continues to maintain this prospect's importance. The mineralised system is postulated to have a stratigraphic control being fed by NE striking structures. A report on all available information both recent and historic is being collated to assist in planning further infill sampling and detailed mapping prior to drill programme preparation.

Cerro El Morro: Further exploration of this cateo has identified additional veining. Sampling has increased the tenor of the mineralisation with a sample from the last programme returning 24.6g/t gold and 233g/t silver. A recently completed geophysics (combine magnetic, IP and chargeability) survey over the vein field has enabled better definition of the structures, which in places have no surface expression. One of these structures is now traceable for over a kilometre and contains values in the south east of 3.67g/t gold and 269g/t silver increasing to 24.6g/t gold and 233g/t silver in the north west, with geophysics also indicating the structure to be considerably wider in the north west.

An Environmental Impact Study has been submitted to the Rio Negro Province and on receipt of the approval a 2,000 metres scout drill programme will commence. The Cerro El Morro property of 10,000 hectares in eastern Rio Negro is considered a 'year round' location.

Carrenleufu Block: This block of six cateos, covering 600 square kilometres, is located in the Andean cordillera along the border with Chile in south western Chubut. A stream sediment survey including panned concentration of streambed material and large sediment samples for BLEG analysis over this remote area was completed early in the season. The results from this first pass drainage sampling survey included several panned concentrate samples with values up to 6g /t gold as well as anomalous BLEG samples in different drainages.

Visible gold in panned concentrates was observed. Initial follow-up work of the southern anomalous drainage covering an area of approximately 16 square kilometres has, in a further four localities, identified visible gold in panned concentrates. Exploration efforts are currently focused on identifying the source of this gold mineralisation as well as investigating other anomalies.

PGD is actively exploring the Patagonia regions of Argentina and Chile with an experienced technical exploration manager leading a large team of competent geologists. In association with in the 'field exploration' PGD is also pursuing acquisition opportunities by option or joint venture: Currently four Confidentiality Agreements are in force in order that PGD can review data on other company's properties.

Considerable effort by PGD staff has been exerted in community relations. This has produced more efficient co-ordination with Provincial authorities as well as enhancing landowner relations.

Minamal SA: In late December PGD acquired the entire issued capital of Minamal SA which holds 40 per cent. interests in three exploration companies, Huemules SA with 14 mineral properties, Leleque Exploracion SA with 20 mineral properties and Minera Nahual Pan SA with 11 mineral properties. Meridian Gold holds the remaining 60 per cent. of these companies.

Minamal SA has a shareholders' agreement with Meridian Gold Inc. for the exploration of the above properties, which has been on hold for the past two years.

Huemules, located 25 kilometres to the west of the Esquel Gold Project in north west Chubut, contains an historic mine, which produced bonanza grade gold in the early 1990's. Leleque and Nahual Pan, located to the north and south respectively of the Esquel Gold Project, are highly prospective exploration properties.

#### Chile

Exploration: Exploration remains focused in the Puerto Ibanez area and to the south of the Cerro Bayo mine of Coeur which has posted Reserves of 336,000 tons at 7.53 ozs silver and 3g/t gold. Reconnaissance sampling of the latter exploration area has identified geology prospective for both epithermal gold mineralisation as well as gold-silver-base metal mineralisation, with values \$am5g/t gold and \$am500g/t silver (separate samples) and as a result 25 new pedimentos have been staked in the Jeinimene area. Further detailed mapping and sampling is ongoing.

Significant samples include

Property	Sample	Gold ppm	Silver ppm
Jeinimene area	40058	5.15	148.0
	40042	4.00	533.0
	40050	3.38	2.5
	40051	2.21	138.0
	40046	2.16	152.0
	40053	0.36	48.5

Coyhaique: Intensive property wide exploration of the Coyhaique project conducted over the 18 months to December 2004, including the drilling of the main veins, failed to meet PGD's expectations.

A revised proposal was made to WestMag Ltd but after no revision was agreed they were advised that PGD no longer wished to proceed with the Option to Purchase the Coyhaique mining concessions.

Inspection of the Coyhaique Project area has recently been undertaken by the Chile environmental agency CONEMA as a requirement to finalise the rehabilitation in line with the approved environmental report.

#### New Zealand

New Zealand: HPD New Zealand has revised and increased the landholding in both the North and South Islands. Currently under licence or application are 19 Permits totalling 4,630 square kilometres.

Exploration on HPD New Zealand's Permits at Bendigo, Macetown and Nenthorn continues, with extensive soil sampling programmes being carried out on all three properties.

Bendigo Permit-soil sampling has identified the north western extension to the Rise and Shine shear zone. Coincident gold and arsenic results define a strike length of 3 kilometres with a width of 400 metres. Soil sampling is currently underway on the south eastern extension of the zone.

Macetown Permit-soil sampling, with results of up to 11.3g/t gold, has defined the possible extension of the Premier lode, with mineralisation present over the 1,500 metres tested to date. In addition, the sampling identified a sub-parallel zone. A further 4.5 kilometres of the zone remains to be tested.

Nenthorn Permit-soil sampling has outlined extensions to the Bonanza lode (Lots Wife) and it is clearly defined by over 3.7 kilometres strike of mapped quartz. Two sub parallel linear anomalies have also been defined at Redbank with the southern anomaly extending over 3.6 kilometres.

The Nenthorn Permits are adjacent to the Macraes gold mine Operated by Oceana Gold, which since commissioning in 1990 has produced 1.7 million ozs of gold.

HPD New Zealand has programmed for a 3,000 metres Reverse Circulation exploratory drilling campaign to be carried out prior to winter on one of the above properties, subject to the results of infill soil sampling and satisfactory access arrangements being completed.

Consolidated profit and loss account

	Year to 31 December 2004 £	1 October 2002 to 31 December 2003 £
Administrative expenses and exploration costs	(2,314,904)	(1,250,605)
Amortisation of goodwill	(757,520)	(62,550)
	-----	-----
AIM listing expenses	(3,072,424)	(1,313,155)
	-	(297,798)
	-----	-----
Operating loss	(3,072,424)	(1,610,953)
Share of operating loss in Patagonian joint venture	-	(433,100)
Share of operating loss in Canadian associate	-	(253,540)
	-----	-----
Total operating loss:		
Group and share of joint venture and associate	(3,072,424)	(2,297,593)
Net profit on disposal of interest in associate	-	486,178
Interest receivable:		
- Group	54,332	64,951
- Share of associates and joint venture	-	8,113
	-----	-----
	54,332	73,064
	-----	-----
Loss on ordinary activities before taxation	(3,018,092)	(1,738,351)
Tax on loss on ordinary activities	-	-
	-----	-----
Retained loss for the year/period	(3,018,092)	(1,738,351)
Loss per share	(1.3p)	(1.3p)
Diluted loss per share	(1.3p)	(1.3p)

Consolidated balance sheet  
at 31 December 2004

	2004 £	2003 £
Fixed assets		
Intangible fixed assets	14,865,923	15,044,831
Tangible fixed assets	45,240	54,171
Investments	85,210	85,210
	-----	-----
Total fixed assets	14,996,373	15,184,212
	-----	-----
Current assets		
Debtors	342,355	145,251
Cash at bank and in hand	3,299,916	3,083,419
	-----	-----
	3,642,271	3,228,670
Creditors: amounts falling due within one year	(787,134)	(181,815)
	-----	-----
Net current assets	2,855,137	3,046,855
	-----	-----
Total assets less current liabilities	17,851,510	18,231,067
Provision for deficit of associates	(61,340)	-
	-----	-----
Net assets	17,790,170	18,231,067
Capital and reserves		
Called up share capital	2,522,814	2,242,314
Share premium account	20,577,439	18,092,425
Profit and loss account	(5,310,083)	(2,103,672)
	-----	-----
Equity shareholders' funds	17,790,170	18,231,067

Company balance sheet  
at 31 December 2004

	2004	2003
	£	£
Fixed assets		
Tangible fixed assets	4,103	7,729
Investments	17,836,775	15,881,359
	-----	-----
	17,840,878	15,889,088
	-----	-----
Current assets		
Debtors	500,357	225,689
Cash at bank and in hand	3,200,992	2,952,778
	-----	-----
	3,701,349	3,178,467
Creditors: amounts falling due within one year	(653,806)	(134,817)
	-----	-----
Net current assets	3,047,543	3,043,650
	-----	-----
Net assets	20,888,421	18,932,738
Capital and reserves		
Called up share capital	2,522,814	2,242,314
Share premium account	20,577,439	18,092,425
Profit and loss account	(2,211,832)	(1,402,001)
	-----	-----
Equity shareholders' funds	20,888,421	18,932,738

Consolidated statement of total recognised gains and losses

	Year to 31 December 2004	1 October 2002 to 31 December 2003
	£	£
Loss attributable to shareholders of Patagonia Gold Plc	(3,018,092)	(1,738,351)
Unrealised exchange rate movements	(188,319)	(69,348)
	-----	-----
Total recognised losses for the year/period	(3,206,411)	(1,807,699)

Consolidated cash flow statement

	Year to 31 December 2004	1 October 2002 to 31 December 2003
	£	£
Net cash outflow from operating activities	(2,590,954)	(1,486,914)
Returns on investments and servicing of finance	54,332	64,951
Capital expenditure and financial investment	(12,465)	(2,760)
Acquisitions and disposals	70	(37,757)
	-----	-----
Net cash outflow before use of liquid resources and financing	(2,549,017)	(1,462,480)
Management of liquid resources	(138,630)	(2,406,796)
Financing	2,765,514	4,015,049
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Increase in cash in the year/period	77,867	145,773

Notes

- The financial information set out above does not constitute the company's statutory accounts for the period ended 31 December 2004 or the period ended 31 December 2003 but is derived from those accounts. Statutory accounts for 2003 have been delivered to the registrar of companies, and those for 2004 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.

2. The Annual Report for the year ended 31 December 2004 will be posted today to shareholders. The Annual General Meeting of the Company will be held at 11.00am on 22 June 2005 at The Cavalry & Guards Club, 127 Piccadilly, London W1V 0PX.

This information is provided by RNS  
The company news service from the London Stock Exchange