



Patagonia Gold PLC : Interim Results

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Patagonia Gold PLC
29 September 2006

Patagonia Gold Plc

INTERIM STATEMENT
for the six months ended 30 June 2006

CHAIRMAN'S STATEMENT

The financial outcome for the six month period was in line with our forecasts showing a loss of £1,276,395 (2005 loss £1,520,517). This amount reflected exploration expenditure and administrative expenses partially offset by a contribution of approximately £873,000 from the disposal of our investment in HPD New Zealand Limited to Glass Earth Limited.

Chubut Mining Suspension

As previously announced, the Provincial Government in Chubut has passed a law suspending mining and minerals exploration activities (with the exception of alluvial gold operations) in a specified area on the west side of the Province for up to three years. This area covers a number of our exploration properties including the Huemules project, Leleque and Nahuel Pan areas and the Crespo Project.

We have been advised by our lawyers that this provincial law violates the Company's constitutional right to perform mining and mineral exploration within the existing legal framework within which we operate. Accordingly we have taken legal action in the Argentinean courts to preserve our rights.

We welcome the opportunity for an open and objective study of the environmental implications of mining and exploration in the Province and believe that its conclusions should remove the concerns that have resulted in this temporary suspension. The result of such a study should aid the development of a viable and environmentally sound mining industry in Chubut which will accrue benefits to the community in terms of employment and tax revenues and thus create a climate in which the mining industry and the communities can work together in harmony with shared objectives.

We have therefore stated that we would be delighted to work with the Government and its experts to assist in the development of a code of conduct for the continuation of mining and mineral exploration in the Province of Chubut.

In the light of these developments the Board has decided to concentrate our exploration resources, both financial and human, in other pro-mining provinces such as San Juan and Santa Cruz, until such time as the position becomes clearer in Chubut.

OPERATIONS

Drilling

During the first six months of 2006, Patagonia Gold completed exploratory drilling campaigns on three of its advanced exploration prospects, Crespo and Gastre in the province of Chubut and El Morro in the province of Rio Negro.

Results of the drilling at Crespo, West Veins, are sufficiently encouraging (16.18 g/t gold, 334.0g/t silver and 5.22% zinc over individual 1 metre intersections) to carry out further drilling as and when the Chubut Government's recently imposed 'mining suspension' for this area is lifted.

CRESPO The Crespo Project area is located in western Chubut Province, Argentina,

and comprises 14 claims for a total of 59,655 hectares.

Exploration of this large prospective area has reached an advanced stage with all accessible areas being thoroughly explored mapped and sampled. Drill-targets generated by this work have included, the Cabana, Jasper and Crespo vein zones, drilled in 2004, and the West and North vein zones, together with the Paleosurface zone, drilled in this recent campaign.

West veins - Seventeen reverse circulation (RC) holes were drilled for a total of 1,565 metres into a suite of sub parallel, gold, silver and base metals-mineralized quartz-carbonate veins, exposed along strike for about 800 metres. Individual quartz veins range up to 1 metre wide on surface. Assay results are sufficiently encouraging (16.18 g/t gold, 334.0 g/t silver and 5.22% zinc over individual 1 metre intersections) to carry out further drilling as and when the Chubut Government's recently imposed 'mining suspension' for this area is lifted.

Paleosurface Zone - Six RC holes were drilled for a total of 1,135 metres holes, 175 to 199 metres deep, designed to test this conceptual drill target and intersect veins or structure below the sub-horizontal silica cap. Assay results returned one value of 0.110g/t gold and numerous anomalous to high arsenic and antimony.

North veins - Eleven RC holes were drilled, for a total of 999 metres, into two separate suites of gold, silver and base metals-mineralized quartz-carbonate veins exposed along strike for about 1,200 metres. Assay results reported lower than those at surface outcrops indicating surface enrichment and were restricted to narrow intersections of 1 metre width.

GASTRE The Gastre project is located in northern Chubut Province and comprises 12 claims for a total of 89,330 hectares

A comprehensive stream sediment and BLEG exploration programme was completed within the Gastre claims and led to identification of precious and base metals values in veins and sheeted vein zones in the southern most claim blocks located immediately northwest of the Navidad silver Project.

Fifteen RC holes were drilled, for a total of 1,481 metres, to test potential bulk tonnage copper mineralization below the surface at Copper Hill as well as the lateral and subsurface extensions of gold-silver- base metals mineralized veins. Copper values were elevated in places but were generally lower than outcrop sampling indicating surface enrichment. Potentially economic gold and silver values were restricted to narrow intersections.

Exploration is currently being undertaken at a silver and base metals rich zone in the south west of the Gastre block near to the Navidad silver project.

CERRO EL MORRO Cerro El Morro is located in southeast Rio Negro Province, Argentina and comprises two claims for a total of 9,999 hectares.

A comprehensive geological mapping and sampling programme, together with a geophysical survey, was completed within the claims, identifying a suite of northwest-striking, narrow (mostly <1-2 3="" 15="" 21="" 24="" 28="" 29="" 30="" 31="" 240="" 1985="" 2005="" 2006="" 2007="" metre="" wide),="" low="" sulphidation,="" epithermal="" silica-quartz-adularia="" veins.="" thirty-five="" rc="" holes="" were="" drilled,="" for="" a="" total="" of="" 2,571="" metres,="" to="" test="" both="" the="" veins="" and="" geophysical="" targets.="" best="" result="" was="" from="" drill="" hole="" ev="" returning="" 1m@="" 2.17g="" t="" gold="" 106g="" silver.="" otherwise="" values="" generally="" intersections="" narrow.="" exploration="" in="" area="" is="" continuing="" recent="" discoveries="" extensions="" cerro="" el="" morro="" vein="" fields="" are="" under="" application.="" current="" season="" has="" commenced="" with="" high="" level="" activity="" through="" expansion="" patagonia="" gold's="" efforts="" into="" san="" juan="" province="" west-central="" argentina="" (contains="" world="" class="" valedero="" deposit).="" regional="" headquarters,="" together="" our="" south="" america="" manager,="" richard="" jemiellita,="" two="" geologists="" support="" staff,="" have="" been="" relocated="" city="" juan.="" land="" access="" permits="" numerous="" areas="" achieved="" field="" appraisal="" already="" undertaken="" on="" one="" property="" (results="" pending).="" addition="" expanded="" santa="" cruz="" relocation="" crespo="" base,="" including="" town="" caleta="" oliva="" northeast="" cruz.="" currently="" exploring="" open="" west="" where="" highly="" prospective="" properties.="" negotiations="" possible="" acquisitions="" or="" joint="" ventures="" progress="" substantial="" properties="" cruz,="" these="" provinces="" favour="" mining="" industry.="" subject="" successful="" outcomes,="" wills="" focus="" additional="" geological="" staff="" provinces.="" also="" teams="" gastre="" project="" chubut="" rio="" negro="" further="" team="" reconnaissance="" work="" neuquen="" province.="" sir="" john="" craven="" chairman="" september="" unaudited="" consolidated="" profit="" loss="" account="" six="" months="" ended="" june="" £="" administrative="" expenses="" (584,747)="" (426,562)="" costs="" (1,131,983)="" (788,391)="" amortisation="" goodwill="" (399,121)="" (378,760)="" other="" operating="" income="" (expense)="" (63,519)="" 10,073="" -----="" (2,179,370)="" (1,583,640)="" disposal="" hpd="" new="" zealand="" limited="" 873,595="" -="" interest="" receivable="" group="" 29,380="" 63,123="" ordinary="" activities="" before="" taxation="" (1,276,395)="" (1,520,517)="" tax="" retained="" period="" per="" share="" (basic="" diluted)="" (0.48p)="" (0.60p)="" weighted="" average="" number="" shares="" attributable="" shareholders="" 266,790,363="" 252,281,435="" balance="" sheet="" at="" fixed="" assets="" intangible="" 14,657,525="" 14,513,583="" tangible="" 43,951="" 62,610="" investments="" 85,210="" 14,786,686="" 14,661,403="" debtors="" amounts="" falling="" due="" less="" than="" year="" 179,309="" 396,301="" more="" 273,021="" 16,912="" 923,599="" 1,375,929="" 413,213="" cash="" bank="" hand=""

1,157,431="" 2,245,785="" 2,533,360="" 2,658,998="" creditors="" within="" (800,754)="" (618,782)="" net=""
1,732,606="" 2,040,216="" liabilities="" 16,519,292="" 16,701,619="" provision="" deficit="" associates="" (61,341)=""
16,640,278="" capital="" reserves="" called="" up="" 2,679,065="" 2,522,814="" premium="" 22,921,188="" 20,577,439=""
(9,080,961)="" (6,459,975)="" equity="" shareholders="" funds="" statement="" recognised="" gains="" losses="" plc=""
unrealised="" exchange="" rate="" movements="" 345,510="" 370,623="" (930,885)="" (1,149,894)="" flow="" outflow=""
(1,465,441)="" (995,639)="" returns="" servicing="" finance="" (29,380)="" (54,303)="" expenditure="" (4,190)=""
disposals="" (25,093)="" use="" liquid="" resources="" financing="" (1,519,914)="" (1,054,="" 132)="" management=""
(913,178)="" 1,128,738="" 2,500,000="" increase="" 66,908="" 74,606="" notes="" financial="" statements="" 1.=""
directors="" noted="" temporary="" suspension="" as="" detailed="" chairman's="" page="" potential="" effect="" this=""
could="" value="" goodwill="" light="" legal="" advice="" obtained="" by="" company="" subsequent="" action=""
taken,="" consider="" that="" there="" no="" impairment="" satisfied="" it="" appropriate="" continue="" carry=""
sheet.="" 2.="" events="" conversion="" loan="" a)="" july="" 2006,="" announced="" £520,000="" unsecured=""
convertible="" converted="" 5,200,000="" lp="" each="" sale="" glass="" earth="" investment="" b)="" company,=""
limited,="" completed="" 2006.="" realised="" approximately="" £900,000,="" proceeds="" be="" directed="" towards=""
funding="" company's="" programs.="" 3.="" report="" prepared="" basis="" accounting="" policies="" set="" out=""
most="" annual="" statements.="" adopted="" frs20="" 'share="" based="" payments'="" period="" standard="" not=""
significantly="" impacted="" results="" approved="" board="" each="" month="" periods="" sheets="" do="" amount=""
full="" accounts="" meaning="" section="" companies="" act="" delivered="" registrar="" companies.="" interim=""
does="" constitute="" statutory="" accounts.="" 4.="" copies="" available="" registered="" office="" upper=""
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