



Patagonia Gold PLC : Final Results

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Patagonia Gold PLC
23 May 2007

PATAGONIA GOLD PLC

PRELIMINARY RESULTS
for the year ended 31 December 2006

Patagonia Gold plc announces its unaudited results for the year ended 31 December 2006

Chairman's statement

I am pleased to present the unaudited results for the year ended 31 December 2006.

It was a period of mixed fortunes for Patagonia Gold. Early in the year, the Government of the Province of Chubut in Patagonia announced a ban for up to three years on virtually all mining and exploration activities in an exclusion zone. The impact on Patagonia Gold of this development is discussed fully in the Managing Director's report which follows my statement. In summary, however, it has forced us to suspend work on the historic Huemules mine which we acquired fully in 2005 and which we had planned to bring back into production.

That constituted a major setback for the Company. While the ban is stated to be temporary in nature and while we are vigorously contesting its legality in the Courts in Argentina at the highest level, the Board decided to adopt the most conservative approach in the presentation of the accounts for the year and has made a full provision against goodwill which largely represents the carrying cost of the Huemules mine. This has resulted in an impairment charge of approximately £14 million. This is not a write off of previously capitalised cash expenditures incurred by the Group but of the goodwill arising from the piecemeal acquisition of the Huemules property.

As explained in our Operations report, it remains our intention to develop the Huemules mine in accordance with the highest internationally agreed environmental standards. In particular, we plan for development to be wholly underground and without the use of cyanide at any stage in the process. We have put the mine on a care and maintenance basis and are actively engaged with the authorities and communities in Chubut with a view to resolving the issues in a constructive manner so that we can go forward as soon as possible with the development of the mine. This we believe to be not only in the interests of our shareholders but also in the best interests of the province, its economy and its citizens.

We have other exploration activities in the Province of Chubut which are also affected by the temporary mining ban; these too have been suspended for the time being and the underlying costs of suspension are included in the impairment charge mentioned above.

As reported in earlier years we also conduct exploration activities in other provinces in Patagonia, most notably in Santa Cruz and Rio Negro. The Province of Santa Cruz is host to a number of important operating gold mines as well as to a vibrant petroleum industry. It has a well developed infrastructure and a positive attitude both at government levels and in the communities to the responsible exploitation of its mineral resources.

In response to the difficulties we encountered in Chubut we have substantially reordered our priorities in Patagonia and it is our intention, at least for the foreseeable future, to concentrate our limited human and financial resources on those provinces which are well disposed towards the mining industry and recognise the benefits that flow from successful exploitation of their mineral resources.

It is in this context that we were delighted to announce early in 2007 the acquisition from Barrick Gold, the world's largest gold mining company, of Barrick's entire Santa Cruz exploration portfolio. The details of this important transaction are set out fully in the Operations report below. We were delighted that Barrick, which retains the right on defined terms to buy back into any major development in the portfolio, decided shortly after the transaction was completed to convert the notes we had issued to them as partial consideration for the acquisition into new Patagonia Gold shares with the result that Barrick now owns approximately nine per cent. of our issued share capital. We welcome them as a shareholder and hope to build on this relationship to our mutual benefit in future years.

Our initial drilling on the newly acquired properties, which had already been the subject of up to four years' exploration work, has been most encouraging. Details of announcements we have made are set out in the Operations report.

The financial results for the year were in line with our budget and expectations. The loss for the year before giving effect to the impairment charge described above was £2,732,424 or 1.01 pence per share (2005: £2,856,653). Taking account of the impairment charge the loss for the year was £17,002,754. There was no impairment charge in the year ended 31 December 2005.

With effect from 1 January 2007, when we adopted the new International Financial Reporting Standards, the Board has decided that it would be inappropriate to continue to hold historical goodwill as an asset.

Recently we carried out a share placement which raised £1.67 million, involving approximately 29 million new shares at 5.75p per share. Around 71 per cent. of these funds were provided by Board members and their family associates. Further fund-raising will be required in the near future to allow Patagonia Gold to continue with its development programme on the highly prospective Santa Cruz and San Juan properties.

The Santa Cruz properties acquired in February 2007 have given Patagonia Gold a fresh direction whilst still retaining our valuable assets in Chubut. We continue to seek further acquisition opportunities and look forward to continued exploration success in Santa Cruz this year.

Finally, on behalf of the Board, I would like to thank our operational staff in South America for their commitment and efforts in the year and to thank our shareholders for their continued support. We are confident that this will in due course be handsomely rewarded.

Sir John Craven
Chairman
23 May 2007

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Managing Director's report

Executive summary

2006/2007 has been a period of contrasting fortunes for Patagonia Gold Plc (PGD).

In the first half of 2006, exploration efforts were concentrated in the Chubut province where PGD had accumulated a substantial portfolio of highly prospective exploration properties over the previous three years.

Having acquired 100 per cent. ownership of the historic Huemules Gold Mine in late 2005, PGD concentrated on bringing the mine back into production as soon as possible, so as to take full advantage of the strong metal prices which had risen over 250 per cent. in the previous three years. The Huemules mine, located some 35 kilometres to the west of the city of Esquel, Chubut Province, contains bonanza gold and silver together with high base metals grades and had been mined for a short period in the early 1990's at an average grade of 220 g/t gold.

In addition, a substantial exploration drilling programme, totalling 7,788 metres, was completed on the Crespo and Gastre projects in Chubut and on the El

Morro project in Rio Negro. Results were encouraging particularly from the Western Veins at Crespo.

In June 2006, PGD received a serious set-back to its exploration efforts in Chubut, when the Province introduced a provisional law banning mining and mineral exploration activities for up to three years in a specified area to the west side of the province. The exclusion area not only included the Huemules mine but also 85 per cent. of PGD's exploration properties, including the Crespo project.

Accordingly, PGD moved quickly to mitigate the damage by moving management, exploration teams and support staff into the pro-mining Provinces of San Juan and Santa Cruz to explore on prospective open ground and to seek joint venture and acquisition opportunities in these Provinces and elsewhere. All exploration activities in Chubut were suspended and the regional office in Puerto Madryn was closed. PGD has maintained a small office in Esquel, Chubut, in order to maintain a presence in the area and to be ready to reactivate projects in that Province when the position becomes clearer. In the meantime PGD has taken legal action in the Argentine courts to preserve its rights.

In February 2007, following several months of selective tendering process and due diligence works, PGD announced the acquisition of Barrick's entire exploration property portfolio in the Santa Cruz province of Southern Argentina. The portfolio contained 70 expedientes (mineral titles) in six groups covering approximately 200,000 hectares in the highly prospective Deseado massive region. With this transaction PGD has acquired several advanced exploration properties with up to four years of exploration works completed on them, including the Lomada de Leiva and Breccia Sofia projects which contain an in-house resource of approximately 500,000 ounces of gold. There is also a large area of ground covering prospective geology with minimal previous exploration.

Infill and extension drilling commenced on the Lomada de Leiva and Breccia Sofia projects immediately to advance the in-house resource to Canadian National Instrument (NI) 43-101 compliant status. In addition, exploration and confirmation works commenced on the two other most advanced prospects, La Manchuria and El Tranquilo to define drilling targets for the next exploration season starting in October.

In San Juan PGD has entered into an Option to purchase agreement over exploration properties containing historic artisan gold mines which have not been explored using contemporary methodology or drilled. PGD has regained its exploration momentum with these above acquisitions.

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

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

Bill Humphries
Managing Director
23 May 2007

Operations report

Land holdings

Patagonia Gold Plc (PGD) through its three 100 per cent. controlled subsidiaries, Patagonia Gold SA (PGSA) and Minamalu SA in Argentina, and Patagonia Gold SCM (PGSCM) in Chile, hold exploration or mineral exploitation permits or has under application or option to purchase the following property areas:

Argentina	Patagonia total	7,086 square kilometres
Chile	Region XI	88 square kilometres

Chubut Province - Mining suspension

The province of Chubut ratified a law on 29 June 2006 to suspend, for up to three years, all mining activity (except for alluvial gold exploration) in a specific area of the province of Chubut where both Patagonia Gold S.A. and Huemules S.A. were carrying out exploration activities.

Patagonia Gold S.A. and Huemules S.A., both fully owned subsidiaries of PGD filed a legal action against this provincial law through the submission of an injunction in the Civil, Commercial and Mining Court, a legal action provided by the law as a remedy to continue exploration activities.

PGD has been advised by its Argentine lawyers that this provincial law violates the Company's constitutional right to perform mining and mineral exploration within a legal and regulated industry.

The legal action has now moved through the provincial courts in Chubut and is presently awaiting a full hearing in the Supreme Court of Justice in Buenos Aires.

The plans for the development of the Huemules mine for which PGD has filed an application for an Environmental Impact Study for the drilling phase, do not involve any open cast mining or the use of Cyanide.

Acquisitions

Santa Cruz

In June 2006, PGD entered into negotiations with Barrick Exploraciones Argentina S.A. for their property portfolio in Santa Cruz. This was concluded in February 2007 with the signing of a purchase agreement.

The Company through its wholly owned Argentine subsidiary, Patagonia Gold S.A. (PGSA) has acquired the rights, title and interest in 70 mining and exploration claims and properties previously held by Barrick Exploraciones Argentina S.A. and Minera Rodeo S.A., being subsidiaries of Barrick Gold Corporation.

The initial consideration payable for the Properties has an aggregate value of approximately £2,572,350 and comprised (i) a cash payment by PGSA of US\$800,000 and (ii) the issue by the Company of £2,162,092.65 of loan notes ('Loan Notes') which were convertible into ordinary shares of 1p each in the capital of the Company at a conversion rate of 7.125p. The Loan Notes were converted on 28 February 2007 into 30,345,160 shares representing 10 per cent. of the Company's then issued share capital.

A further cash payment of US\$1.5 million will become payable by the Company upon delineation of a 200,000 oz or greater of gold or gold equivalent (NI 43-101 Indicated Resource) on the La Paloma Property Group. In addition the Company has granted to the vendors an option to buy back up to a 70 per cent. interest in any particular Property Group upon the delineation of a greater than 2 million oz of gold or gold equivalent (NI 43-101 Indicated Resource) on that Property Group.

Under the terms of the acquisition agreement PGSA has committed to complete a minimum level of expenditure of US\$10 million on the Properties over a five year period.

The Properties

The 'Barrick properties' are a highly prospective portfolio containing 70 expedientes (mineral titles) in six groups covering approximately 200,000 hectares in the Deseado Massif region of the Santa Cruz province in Patagonia.

The volcanic plateau of the Deseado Massif is 60,000 km² in area and hosts several mines and advanced projects such as Cerro Vanguardia, Mina Martha, Manantial Espejo, Huevos Verdes, and Cerro Negro as well as numerous smaller prospects and showings. These projects are low sulphidation epithermal 'bonanza' vein style gold-silver deposits, the main target for exploration in this region.

Santa Cruz is a mining friendly province and contains a very active petroleum industry and accordingly all the infrastructure and understanding associated with exploration and mining. The closest town to the main Project area, Perito Moreno, is serviced by bituminised all weather roads.

Lomada de Leiva is the main area and was previously pattern drilled and a preliminary in house resource was calculated.

Lomada de Leiva table of historic drill hole intersections

Lomada de Leiva drill results

Hole ID	metres	metres	Gold g/t
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DDH-LP05	49.00	3.44	3.16
DDH-LP05	86.75	3.29	5.34
DDH-LP05	92.00	5.05	2.26
DDH-LP07	36.00	11.00	5.33
including	38.60	1.40	15.80
DDH-LP07	49.00	17.00	5.45
DDH-LP11	6.80	3.20	5.30
DDH-LP11	12.00	17.60	9.08
including	15.00	1.00	24.70
DDH-LP12	65.90	8.40	1.84
DDH-LP12	78.65	10.00	3.13
DDH-LP13	70.30	5.75	1.36
DDH-LP14A	105.00	4.00	2.85
DDH-LP20	60.50	4.75	3.90
DDH-LP25	21.00	7.15	2.71
DDH-LP30	116.65	9.05	2.05
DDH-LP35	81.00	4.30	2.08
DDH-LP35	88.35	7.35	4.97
including	89.75	1.40	16.70
DDH-LP36	36.95	12.45	2.59
DDH-LP37	63.80	14.70	5.21
including	74.00	1.00	13.30
DDH-LP44	44.00	11.00	3.00

Gold mineralisation at Lomada de Leiva occurs in a NNE-striking, steeply ESE-dipping tabular zone (500 metres strike x 200 metres normal to strike) with reported, sometimes high grade gold up to 200 metres (vertical) from the surface. Geology is characterised by gold mineralised breccias mostly containing angular clasts of rhyolite and occasional clasts of crustiform-colloform banded quartz. The breccias have cut and, perhaps, destroyed earlier quartz veins and are themselves cut by at least two phases of narrow chalcedonic quartz veins and late hematite-jarosite veining. Gold could be associated with the quartz vein clasts and/or later chalcedonic quartz veining. These features are not typical of low sulphidation epithermal vein deposits.

Another area drilled by Barrick is the Breccia Sofia zone where the following drill intersections were identified:

Breccia Sofia drill results

Hole ID	From metres	Interval metres	Gold g/t
DDH-LP42	272.50	3.00	140.61
DDH-LP47	100.00	12.00	2.41
DDH-LP51	251.70	10.00	4.99
DDH-LP54	0.35	17.85	3.50
DDH-LP59	187.00	2.00	8.07
DDH-LP63	101.00	2.00	4.31

The Breccia Sofia zone is characterised by millimetre-wide, gold-bearing, drusy quartz veinlets and breccia matrix that report up to bonanza gold grades (-400 g/t Au). Mineralization here is typical of a low sulphidation epithermal veinlets and stockwork deposit.

The Patagonia Gold property 'Cerro Vasco' just to the north of La Paloma returned rock chip samples of 2.85m @ 44.2 g/t Au in a breccia considered similar to that at La Paloma. An Environmental Impact Study to enable drilling on the property has been approved with the Mines Department.

Ongoing work

The Agreement with Barrick was finalised in February 2007 and in the same month PGD commenced drilling with one diamond drill rig at Lomada de Leiva, a second drill rig was contracted in March 2007. The current drilling programme has been designed to validate, infill and extend the previous drilling.

This Resource orientated drill programme contains 40 holes for an estimated 5,800 metres of both diamond drilling and RC drilling. The programme includes a number of 'scissors' and 'twins' of both the Barrick drilling and diamond to RC hole comparison for quality control purposes. A programme of exploration drilling on the periphery of the resource area contains a planned 25 holes for a further 3,500 metres of both diamond and RC drilling.

To date, 36 HQ diamond drill holes for 4,947 metres and 21 Reverse Circulation (RC) holes for 2,901 metres, have been completed.

Results from the first 9 diamond drill holes are now available and significant intersections are listed in the table below.

Hole ID	From metres	Interval metres	Gold g/t
LPD-01	9.0	18.0	6.87
including	10.0	10.0	10.86
LPD-02	35.0	21.0	4.12
including	46.0	7.0	5.17
LPD-03	90.0	13.0	7.36
including	94	6.0	13.66
LPD-04	63.0	8.0	1.19
and	97.0	12.0	1.32
LPD-06	64.0	24.0	3.05
including	82.0	5.0	7.16
LPD-07	38.0	20.0	2.66
including	48.0	4.0	5.89
LPD-09	73.0	12.0	2.01
and	88.0	10.0	2.07

At Breccia Sofia the exploration programme currently underway contains a planned total of 25 holes for 2,500 metres of RC drilling.

Resource NI 43-101

Chlumsky, Armbrust and Meyer L.L.C. (CAM), an international mineral resources, consulting and engineering group from Lakewood, Colorado, USA have been engaged by Patagonia Gold to complete a resource estimate, to NI 43-101, on the Lomada de Leiva Project area.

As part of this study CAM will give recommendations for infill, down-dip and metallurgical drilling at Lomada de Leiva in preparation for environmental and scoping studies.

Sample pulps and coarse residues from the current drill programme have been

submitted for initial metallurgical test work in order to quantify the recovery from the ore material. Gravity extraction test work is also being undertaken.

Other areas

The La Manchuria and El Tranquilo properties are highly prospective and the exploration programmes being conducted were initially orientated towards validation of the historic data and thereafter the preparation for drilling.

La Manchuria

The La Manchuria property of five expedientes covers 5,575 hectares and is located about 130 km to the south east of the La Paloma block.

Gold-silver mineralisation on the La Manchuria prospect is associated with a low-(to intermediate) sulphidation type epithermal quartz-(adularia-illite) vein system hosted within a shallow dipping sequence of rhyolite tuffs and underlying andesites. Veins are strongly structurally controlled with principle veins showing NW to NNW strikes occurring in swarms and densely sheeted zones.

Previous work has included geological mapping, grid soil sampling, geophysics trenching (channel sampling) and drilling with 14 diamond drill holes for 2,017 metres and 9 RC holes for 1,089 metres.

PGD has undertaken a programme of validation and has re-sampled strategic rock chip locations as well as sawn channel samples and drill core. Results are pending.

Significant potential exists in the more competent andesite, interpreted to under-pin the rhyolite which hosts the gold-silver bearing veins which has been surface sampled and drilled.

A drill programme designed to systematically test the main zone of mineralisation at depth is planned for October.

El Tranquilo

The El Tranquilo properties, which include the existing PGD property, La Bajada, cover an area of 12,000 hectares some 120 km south of La Paloma, and contains a number of mineralised NW trending structures containing evidence for low sulphidation epithermal hydrothermal systems including anomalous gold silver and antimony.

The Breccia Valentina localised within a corridor of NW structures contains extensive anomalous gold values reported from historic channel sampling in trenches. Two zones of breccia and stock work have been identified which contain values of:

Stockwork: 44 metres @ 0.276g/t Au including 0.815g/t.
Breccia: 32 metres @ 0.16 g/t Au including 0.795g/t Au

The nearby existence of a paleosurface, containing silicified plant remains, confirms Breccia Valentina represents the upper section of a gold mineralised system.

PGD has undertaken verification sampling of the historic trenches as well as excavated new trenches which were sawn channel sampled. Results are pending. A drill programme is planned for November with the aim of testing the interpreted Breccia Valentina breccia at depth by a fence of diamond drill holes oriented normal to the NW strike direction. The intention is to intersect the feeder at progressively deeper levels extending from 100 metres below the surface.

The Cap Oeste prospect comprises a NW trending structure which was previously trenched with samples reporting anomalous gold values.

Trench 4 contained 42.8 metres @ 0.913 g/t Au, including 5 metres @ 2.127 g/t Au, in Trench 5, 100 metres to the north west 69.1 metres @ 0.223 g/t Au was reported and a further 100 metres to the north west in Trench 6, 20.9 metres @ 0.217 g/t was reported. Further to the north west as well as to the south east the structure is under cover.

The mineralised structure lies on a gentle slope about 30-40 metres below a sub horizontal zone of intense silicification interpreted as a silica cap this silicification is typical of alteration which commonly develops within permeable host rocks close to the water table within the upper portion of low sulphidation epithermal gold systems.

Validation work by PGD has included the opening and resampling of historic trenches as well as excavation of additional trenches on 50 spacing. Results are

pending. The recent trenching has identified the breccia and stockwork veining over a strike of 900 metres and it is open in all directions. An RC drill programme is planned in October to investigate this very prospective geological structure.

San Juan - El Morado

The two property block optioned from the San Juan owners is located in the east of San Juan province 150 km east of San Juan capital, on the northwest slope of the Sierra de la Huerta, in the Bermejo river valley.

The agreement provides for three annual payments of US\$20,000, US\$30,000 and US\$50,000 with the option to purchase outright for US\$300,000 at any time during this three year period less 50 per cent. of any payments already made.

In the El Morado Northwest zone are the historic Garabato and Sanchez II mines, exploited at the end of the 19th century and in the 1940's by the San Juan Mining Company. Some 4 km along strike the El Morado Southeast zone contains three old gold mines called Buena Fortuna, Senda and Pepa, which were exploited in the late 1980's by the current owners.

The geology of the area is predominantly schist, gneiss and amphibolites from the igneous-metamorphic basement of the Valle Fertil Complex, these metamorphic rocks contain discontinuous and tectonized marble horizons. The mineralization is concentrated in auriferous quartz lenses in shear zones, the main minerals assemblage is auriferous quartz, pyrite, chalcopyrite, galena, sphalerite and quartz with carbonates as ankerite and black (manganese) oxides.

The quartz lenses occupy a sub-vertical to 75degreesNE, ESE-WNW fault plane exposed from one to tens of metres along strike and down dip, with widths from 0.3 metres to a maximum of 1.8 metres contained in a metamorphic host rock variously carbonitised and tectonised along the contact.

Exploration of the properties has included reconnaissance drainage sampling and rock chip sampling which returned values of up to 28g/t Au, 60 g/t Ag and over 1 per cent. copper lead and zinc. A programme of detailed mapping and channel sampling is in progress in order to prepare for exploration drilling in September.

Exploration

Drilling

During 2006, PGD completed exploration drilling campaigns on three advanced exploration prospects, Crespo and Gastre in the province of Chubut and El Morro in the province of Rio Negro. A total of 84 holes for 7,788 metres generated 4,949 samples for analysis.

Results of the drilling at Crespo, West Veins, are sufficiently encouraging (16.18 g/t gold, 334.0 g/t silver and 5.22 per cent. zinc over individual 1 metre intersections) to carry out further drilling.

Results include:

Crespo West and North veins

Hole ID	From Intersection metres	Intersection metres	Gold g/t	Silver g/t	Copper percentage	Lead percentage	Zinc percentage
WV-02	48.0	2.0	8.44	16.8	-	-	-
WV-07	31.0	1.0	1.01	37.1	-	-	1.58
WV-08	85.0	1.0	0.83	47.3	0.25	0.80	2.77
WV-12	102.0	2.0	0.42	231.0	0.43	1.77	4.32
WV-13	113.0	1.0	0.39	119.1	0.29	2.28	3.61
NV-04	43.0	1.0	1.75	0.7	-	-	-
Gastre							
GAS-05	31.0	1.0	1.54	3.9	-	-	-
GAS-10	63.0	1.0	1.66	0.9	-	-	-
GAS-13	6.0	1.0	0.85	1.2	-	-	-
Cerro El Morro							
EM-01	16.0	1.0	2.72	36.2	-	-	-
EM-04	59.0	1.0	1.02	2.9	-	-	-
EM-06	7.0	1.0	1.14	6.4	-	-	-
EM-09	6.0	1.0	1.01	6.7	-	-	-
EM-15	54.0	1.0	1.99	174.0	-	-	-
EM-21	59.0	1.0	2.17	106.8	-	-	-
EM-22	32.0	1.0	1.21	21.0	-	-	-

Crespo: the Crespo Project area is located in the west of Chubut province and is comprised of 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.

Gastre: the Gastre project is located in the north of 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 southernmost claim blocks located immediately northwest of the Navidad silver project.

Further exploration was 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: the Cerro El Morro property is located in southeast Rio Negro province 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 metre wide), low sulphidation, epithermal silica-quartz-adularia veins.

Exploration in the area is continuing with the discovery of extensions to the Cerro El Morro vein fields. A cateo application has been submitted.

Other exploration

As a result of the Chubut exclusion zone no further work has been conducted at either Crespo or Huemules.

The Huemules Project remains a high priority for the Company as the area is very prospective. The Huemules vein system includes three sectors, designated Sur, Centro and Norte. At Huemules Sur the zone consists of a broad corridor of pyritised and irregular argillised and or silicified rock up to 150 metres wide, containing multiple lenticular, gold bearing quartz veins, veinlets and quartz breccia zones. At Huemules Norte and Centro it is commonly well-defined quartz breccia zone of 5 to 15 metres width containing disseminated pyrite and chalcopyrite and enclosing a single discrete gold-bearing vein.

CAM international mineral resources, a consulting and engineering group from Lakewood, Colorado, USA, completed an independent resource review in May 2006 reporting an Inferred Resource of 364,657 tonnes @ 9.96g/t Au for a total of 116,773 oz of gold and recommended a plan for expanding the resource.

The Company has undertaken an evaluation of the exploration potential in Argentina. As a result exploration was initiated and continues with a high level of activity through the expansion of PGD's exploration efforts into the 'pro-mining' San Juan province (which contains the world class Veladero gold deposit). The Company has been assessing opportunities in the province and was involved in the assessment of the four property blocks offered in a provincial auction. An option agreement with the owners of the El Morado property block was signed in February 2007.

In parallel to the exploration in the north of Argentina a concerted effort of reconnaissance exploration on open ground in the Santa Cruz province has been ongoing, this has proved successful and several gold mineralised structures have been identified though no cateo applications have been made to date. The potential of Santa Cruz, which contains the Anglo Ashanti Gold Cerro Vanguardia gold-silver mine, has long been realised. PGD has been exploring both the greenfield's exploration and property acquisition potential.

23 May 2007

The unaudited results of the Group for the full year 2006, with comparative figures for 2005 are set out below:

Consolidated profit and loss account
for the year ended 31 December 2006

	Note	2006 £	2005 £
Administrative expenses and exploration costs		(2,874,619)	(2,119,173)
Amortisation of goodwill		(783,695)	(793,000)
Impairment of goodwill		(14,270,330)	-

Operating loss		<u>(17,928,644)</u>	<u>(2,912,173)</u>
Share of operating loss in associate		-	(29,665)
Total operating loss:			
Group and share of associate		<u>(17,928,644)</u>	<u>(2,941,838)</u>
Interest receivable		52,295	85,185
Loss on ordinary activities before taxation		<u>(17,876,349)</u>	<u>(2,856,653)</u>
Tax on loss on ordinary activities		-	-
Profit on disposal of HPD New Zealand Limited		873,595	-
Loss for the financial year on ordinary activities after taxation		<u>(17,002,754)</u>	<u>(2,856,653)</u>
Loss per share (basic and diluted)	2	<u>(6.3p)</u>	<u>(1.1p)</u>

The unaudited position of the Group as at 31 December 2006, with comparative figures for 2005 are set out below:

Consolidated balance sheet
at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Intangible assets - goodwill		-	15,054,025
Tangible fixed assets		40,214	62,379
Investments		85,210	85,210
Total fixed assets		<u>125,424</u>	<u>15,201,614</u>
Debtors			
Amounts falling due over one year		227,032	271,987
Current assets			
Debtors		202,682	183,877
Cash at bank and in hand		966,143	147,965
		<u>1,168,825</u>	<u>331,842</u>
Creditors: amounts falling due within one year		(301,220)	(833,161)
Net current assets/(liabilities)		<u>867,605</u>	<u>(501,319)</u>
Total assets less current liabilities		<u>1,220,061</u>	<u>14,972,282</u>
Creditors: Amount falling due after more than one year		-	(22,105)
Net assets		<u>1,220,061</u>	<u>14,950,177</u>
Capital and reserves			
Called up share capital		2,731,065	2,522,814
Share premium account		23,389,188	20,577,439
Profit and loss account		(24,900,192)	(8,150,076)
Equity shareholders' funds	3	<u>1,220,061</u>	<u>14,950,177</u>

The unaudited statement of Group total recognised gains and losses for the full year 2006, with comparative figures for 2005 is set out below:

	2006 £	2005 £
Consolidated statement of total recognised gains and losses for the year ended 31 December 2006		
Loss for the financial year	(17,002,754)	(2,856,653)
Net exchange difference on the retranslation of net investments	238,907	16,660
Total gains and losses since last annual report	<u>(16,763,847)</u>	<u>(2,839,993)</u>

The unaudited cash flows of the Group for the full year 2006, with comparative figures for 2005 are set out below:

Consolidated cash flow statement for the year ended 31 December 2006			
	Note	2006	2005
		£	£
Net cash outflow from operating activities	4	(3,111,257)	(2,171,990)
Returns on investments and servicing of finance	5	946,289	85,185
Capital expenditure and financial investment	5	22,050	(220,731)
Acquisitions and disposals	5	(25,093)	(844,415)
Net cash outflow before use of liquid resources and financing		(2,168,011)	(3,151,951)
Management of liquid resources	5	(612,873)	2,980,777
Financing	5	3,020,000	-
Increase/(decrease) in cash in the year	6	239,116	(171,174)
		=====	=====

Notes to the preliminary results statement

1. Basis of preparation

The financial information has been prepared on the same basis and using the same accounting policies as applied in drawing up the Company's statutory financial statements for the year ended 31 December 2005.

Publication of non statutory accounts

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2006 or 2005. The statutory accounts for 2006 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course. We anticipate that the auditor's report in relation to the 2006 statutory accounts will be (i) unqualified, (ii) will draw attention by way of emphasis of matter to the uncertainty relating to the availability of future funding to allow the Group to continue its intended exploration activities, and to meet its future commitments as explained in Note 1, and (iii) will not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The financial information for 2005 is derived from the statutory accounts for 2005 which have been delivered to the registrar of companies. The auditors have reported on the 2005 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The principal accounting policies of the company have remained unchanged from the previous year except for the following new standards which have been adopted for the first time:

FRS20: Share based payments

FRS23: The effects of changes in foreign exchange rates

FRS26: Financial instruments measurement

FRS28: Corresponding amounts

With the exception of FRS20, the adoption of the above mentioned accounting standards has not had a material impact on the financial statements.

Going Concern

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding is raised as and when required.

The Directors have prepared cash flow information for the period ending twelve months from the date of approval of these financial statements. On the basis of this cash flow information the Directors are of the opinion that the Company will require additional financial resources to enable the Group to undertake an optimal programme of exploration and appraisal activity over the next twelve months, and to meet its commitments. Accordingly, further funds will need to be raised during 2007. These conditions indicate the existence of a material

uncertainty. Whilst the Directors are confident that the Group will be able to secure additional funding to enable it to continue to meet its commitments as they fall due and to undertake the programme described above for at least the next twelve months from the date of approval of the financial statements, there can be no guarantee that this will be the case which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments, particularly in respect of tangible fixed assets, investments, loans and provisions for winding up which would be necessary if the Company and Group ceased to be a going concern.

2. Loss per share

		Weighted average number of £ shares	2006 per share		Weighted average number of £ shares	2005 per share
Loss attributable to shareholders	(17,002,754)	269,548,193	(6.3p)	(2,856,653)	252,281,435	(1.1p)

There is no difference between the basic and diluted loss per share.

3. Reconciliation of movements in equity shareholders' funds

	2006 £	2005 £
Loss attributable to shareholders	(17,002,754)	(2,856,653)
Exchange differences arising on retranslation	238,907	16,660
Share based payments charge	13,731	-
Issues of shares	3,020,000	-
Net decrease in shareholders' funds	(13,730,116)	(2,839,993)
Equity shareholders' funds at beginning of year	14,950,177	17,790,170
Equity shareholders' funds at end of year	1,220,061	14,950,177

4. Reconciliation of operating loss to net cash outflow from operating activities

	2006 £	2005 £
Operating loss	(17,928,644)	(2,941,838)
Depreciation and amortisation	801,769	833,892
Decrease/(increase) in debtors	(158,802)	(36,829)
(Decrease)/increase in creditors	(629,641)	(78,985)
Increase in other provisions	-	51,770
Impairment of goodwill	14,270,330	-
Share based payments charge	13,731	-
Settlement of convertible debt for equity	520,000	-
Net cash outflow from operating activities	(3,111,259)	(2,171,990)

5. Analysis of cash flows for headings netting in the cash flow statement

	2006 £	2005 £
Returns on investments and servicing of finance		
Bank interest received	52,295	85,185
Cash received on disposal of Glass Earth shares	893,994	-
	946,289	85,185
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	22,050	(51,850)
Funding of associate	-	(168,881)
	22,050	(220,731)
Acquisitions and disposals		
Acquisition of additional interest in associates	-	(844,595)
Cash acquired on acquisition of Minamalu SA	-	180
Disposal of HPD New Zealand Limited	(25,093)	-
	(25,093)	(844,415)

Management of liquid resources		
Withdrawals from/(increase to) short term deposits	(612,873)	2,980,777
	=====	=====
Financing		
Issue of share capital	208,251	-
Share Premium	2,811,749	-
	-----	-----
	3,020,000	-
	=====	=====

6. Analysis of net funds

	At 1 January 2006	Foreign exchange difference	Cash flow	Non cash items	At 31 December 2006
	£	£	£	£	£
Bank and cash balances	53,742	(33,811)	239,116	-	259,047
Short term deposits	94,223	-	612,873	-	707,096
Convertible loan notes	(520,000)	-	-	520,000	-
Net funds	-----	-----	-----	-----	-----
	(372,035)	(33,811)	851,989	520,000	966,143

There were no material differences between the fair value and the book value of the Group's financial assets and liabilities as at 31 December 2006 and 31 December 2005.

7. Post balance sheet events

Acquisition of Barrick's property portfolio in Santa Cruz Argentina

The Group announced on 21 February 2007 that it had acquired the rights, title and interest in 70 mining and exploration claims and properties currently held by Barrick Exploraciones Argentina S.A. and Minera Rodeo S.A. being subsidiaries of Barrick Gold Corporation.

The initial consideration for the Properties payable to the Vendors had an aggregate value of approximately £2,572,350 and comprised (i) a cash payment by PGSA of US\$800,000 and (ii) the issue by the Company of £2,162,092.65 of loan notes, convertible into ordinary shares of 1p each in the capital of the Company at a conversion rate of 7.125p per Ordinary share. Accordingly, upon conversion, the loan notes would convert into 30,345,160 ordinary shares, representing 10 per cent. of the Company's current issued share capital. (as enlarged by the issue of such shares.) To the extent not previously converted or redeemed, the Loan Notes would fall to be repaid by the Company on 20 February 2009. The Loan Notes would become redeemable by the holders thereof after 20 February 2008 and to the extent that any Loan Notes remained outstanding at such time, interest would become payable on the outstanding Loan Notes from the commencement date at the rate of 5.25 per cent. per annum. The Loan Notes could be converted by the Vendors at any time on or after 27 February 2007 and by the Company any time after 31 May 2007.

On 28 February 2007 the Company allotted 30,345,160 ordinary shares of 1p each to Barrick pursuant to the conversion by the noteholders of £2,162,092.65 of the Loan Notes.

A further cash payment of US\$1.5 million will become payable to the Vendors upon the delineation of 200,000 oz or greater of gold or gold equivalent on the La Paloma Property group. In addition PGSA has granted to the Vendors an option to buy back up to a 70 per cent. interest in any particular Property group upon the delineation of the greater of 2 million oz of gold or gold equivalent on that Property group.

Under the terms of the acquisition agreement, PGSA has committed to complete a minimum level of expenditure of US\$10 million on the Properties over a five year period. This will include a commitment of US\$1.5 million in the first 18 months.

Share Placing

On 23 March 2007, the Company announced that it had placed 29,021,400 new ordinary shares of 1p each in the Company at a price of 5.75p per share to finance working capital and exploration expenditure. Certain of these shares were placed with Directors, as set out below.

Director	Placing shares subscribed
Sir John Craven	435,000

Carlos Miguens	11,102,006
William Humphries	1,050,000
Richard Prickett	870,000
Marc Sale	226,000

Exercise of Share Option

On 30 April 2007, the Company allotted 1,920,506 Ordinary shares of 1p pursuant to the exercise of a share option on 16 April 2007.

8. Annual Report

The Annual Report for the year ended 31 December 2006 will be posted to shareholders shortly and will also be available from the Company's website www.patagoniagold.com. The Annual General Meeting of the Company will be held on Thursday, 28 June 2007 at 11.00 am at the Cavalry & Guards Club, 127 Piccadilly, London W1V 0PX.

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