

# Patagonia Gold Plc

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INTERIM STATEMENT

for the six months ended 30 June 2005

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## Directors and advisers

Directors	Sir John Craven	(Chairman)
	Carlos J Miguens	(Non-Executive Deputy Chairman)
	William H Humphries	(Managing Director)
	Marc J Sale	(Director of Operations)
	Gonzalo Tanoira	(Finance Director)
	Richard Ö Prickett	(Non-Executive Director)

All of

15 Upper Grosvenor Street  
London W1K 7PJ  
Telephone 020 7409 7444  
Facsimile 020 7499 8811  
Web site [www.patagoniagold.com](http://www.patagoniagold.com)

Secretary and registered office	Jeremy Gorman 15 Upper Grosvenor Street London W1K 7PJ Company registered number 3994744
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Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
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Solicitors	Lawrence Graham LLP 190 Strand London WC2R 1JN
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Nominated adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ
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Nominated broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH
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Registrars and transfer agents	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
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## CHAIRMAN'S STATEMENT

For the six months ended 30 June 2005 Patagonia Gold Plc ("PGD") reported a loss on ordinary activities before tax of £1,520,517 (0.6p per share), in line with its budgets and cash forecasts. We are successfully pursuing our dual strategy of developing the company by exploring our existing properties and evaluating opportunities to add to the business through acquisition.

## OPERATIONS

### 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, Damien Koerber and Chris Cooper, operating in the Chubut, Rio Negro and Santa Cruz Provinces of Argentina and across the border in Chile. The services of internationally renowned consultants Dick Sillitoe and Greg Corbett are also available to the company for specific projects.

We are pleased to report that Quayle Lusty, previously Project Director of the Esquel Gold Project under Brancote's ownership, has been appointed Chief Operations Officer of PGD. He is resident in Argentina and is responsible for all of our activities in South America.

### Argentina

***Crespo Project:*** Located in south-western Chubut 200 kilometres southeast of Esquel. The nearest town is Gobernador Costa immediately to the north of the project. The Project area consists of 6 cateos, plus four minas under option, covering an area of 587 square kilometres.

The Crespo Project area contains a number of veins other than Cabaña and Jasper veins which were drilled in 2004, and exploration is continuing with interrogation of the newly acquired high definition 'Quickbird Landsat' imagery, in association with the BLEG anomalies generated from last season's stream sediment survey. This, combined with field investigation has revealed many new targets. These include the Northern veins which extend over 2.2 kilometres and have returned surface sample values up to 7.57g/t Au.

To the south of the Northern Veins, the El Lazo area is continuing to expand, with several newly discovered vein systems some 1.2 kilometres to the south of the original (4.2g/t Au and 497g/t Ag) discovery. These new multiple vein systems show extreme silicification and alteration, extending over areas of 200 m by 200 m each, and are presently being mapped and sampled.

Our West Veins prospect, with surface samples of up to 14.2g/t Au and 14g/t Ag, may well continue through to the north. This high-prospective area will be mapped and sampled in the fourth quarter of 2005.

Environmental Impact Studies (EIS) are currently being prepared and submitted in advance of drill testing several of the above targets, anticipated early in the forthcoming field season.

***The Gastre Block:*** This block 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 Calcatreu Gold Project in the northwest, and is considered extremely prospective to host both base metal and precious metal mineralization.

Mapping and sampling of the area surrounding and between the Copper Hill area (values >3% Cu and 170g/t Ag) and the Copper Dome area (values >1% Cu and >50g/t Ag) continues to identify other targets, including a siliceous stockwork zone located north of Copper Hill with chip-channel values of up to 0.292g/t Au, 4g/t Ag, and 0.75% Cu. This is the same general area where previous rock chip samples have returned values up to 5.1g/t Au and 53g/t Ag. Five new trenches over these anomalous structures are being mapped and sampled to better define their extent and grades. A soil sampling grid over the entire Copper Dome – Copper Hill trend is being expanded to include some previously inaccessible areas, and in-filled over previously identified anomalous areas. New sampling within the Copper Dome area has returned values up to 0.55g/t Au and 11g/t Ag. An EIS is currently being prepared and submitted in advance of drill testing several of the above targets, anticipated early in the forthcoming field season.

A comprehensive stream sediment survey has been initiated over the entire Gastre Block, targeting possible Navidad style Ag-Pb-Zn mineralization, since the robust Navidad structural trend extends from Navidad to the NW through our entire block.

**General:** PGD is actively exploring the Patagonia regions of Argentina and Chile with a large experienced team of competent geologists. In association with 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 companies' properties.

Considerable effort by PGD staff continues to be exerted in community relations, and this has produced more efficient co-ordination with provincial authorities as well as enhancing landowner relations.

We look forward to the results of this season's exploration programmes with anticipation and excitement. In addition we are evaluating a number of acquisition proposals which could lead to some very interesting opportunities.

Sir John Craven  
Chairman

29 September 2005

## Unaudited Consolidated Profit and Loss Account

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months to 30 June 2005 £	Six months to 30 June 2004 £
Administrative expenses	(426,562)	(432,107)
Exploration costs	(788,391)	(902,343)
Amortisation of goodwill	(378,760)	(378,760)
Other operating income/(expense)	10,073	(5,063)
<b>TOTAL OPERATING LOSS</b>	<b>(1,583,640)</b>	<b>(1,718,273)</b>
Interest receivable:		
– Group	63,123	29,705
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(1,520,517)</b>	<b>(1,688,568)</b>
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	-	-
<b>RETAINED LOSS FOR THE PERIOD</b>	<b>(1,520,517)</b>	<b>(1,688,568)</b>
<b>LOSS PER SHARE</b>	<b>(0.60p)</b>	<b>(0.76p)</b>
<b>DILUTED LOSS PER SHARE</b>	<b>(0.60p)</b>	<b>(0.76p)</b>

### LOSS PER SHARE

	£	Weighted average number of shares	Six months to 30 June 2005 per share	£	Weighted average number of shares	Six months to 30 June 2004 per share
Loss attributable to shareholders	(1,520,517)	252,281,435	(0.60p)	(1,688,568)	221,710,192	(0.76p)

## Unaudited Consolidated Balance Sheet

AT 30 JUNE 2005

	30 June 2005 £	30 June 2004 £
<b>FIXED ASSETS</b>		
Intangible fixed assets	14,513,583	14,666,071
Tangible fixed assets	62,610	54,962
Investments	85,210	85,210
	14,661,403	14,806,243
<b>CURRENT ASSETS</b>		
Debtors: amounts falling due in less than one year	396,301	102,765
amounts falling due in more than one year	16,912	167,197
	413,213	269,962
Cash at bank and in hand	2,245,785	1,591,268
	2,658,998	1,861,230
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
	(618,782)	(174,089)
	2,040,216	1,687,141
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		
Provision for deficit of associates	(61,341)	-
	<b>16,640,278</b>	<b>16,493,384</b>
<b>NET ASSETS</b>		
<b>CAPITAL AND RESERVES</b>		
Called up share capital	2,522,814	2,242,814
Share premium account	20,577,439	18,092,675
Profit and loss account	(6,459,975)	(3,842,105)
	<b>16,640,278</b>	<b>16,493,384</b>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		

## Unaudited Consolidated Statement of Total Recognised Gains and Losses

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months to 30 June 2005 £	Six months to 30 June 2004 £
Loss attributable to shareholders of Patagonia Gold PLC	(1,520,517)	(1,688,568)
Unrealised exchange rate movements	370,623	(49,865)
	(1,149,894)	(1,738,433)
<b>Total recognised losses for the period</b>		

## Unaudited Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months to 30 June 2005 £	Six months to 30 June 2004 £
Net cash outflow from operating activities	(995,639)	(1,520,003)
Returns on investments and servicing of finance	(54,303)	29,705
Capital expenditure	(4,190)	(2,603)
Acquisitions and disposals	-	-
	(1,054,132)	(1,492,901)
Net cash outflow before use of liquid resources and financing		
Management of liquid resources	1,128,738	(1,459,970)
Financing	-	750
	74,606	(32,181)
(Decrease)/ increase in cash in the period		

Notes

This report is prepared on the basis of the accounting policies set out in the most recent set of annual financial statements.

The report was approved by the Board of Directors on 29 September 2005

The interim statement is unaudited and does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. The comparative figures for the period ended 30 June 2004 are derived from the Group's statutory accounts for the year ended 31 December 2004. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. This report of the auditors was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Copies of this interim statement are available from the Company's registered office at 15 Upper Grosvenor Street, London W1K 7PJ.

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Registered office: 15 Upper Grosvenor Street, London W1K 7PJ Registered in England No 3994744