Patagonia Gold PLC : LOMADA-SCOPING STUDY RESULTS

Released : 20.11.2008

RNS Number : 5509I
Patagonia Gold PLC
20 November 2008

The following amendment has been made to RNS 5224I released at 0700 on 20 November 2008. The Project cash flow in the third bullet point should read $63.6 million and not $76.7 million as originally shown.

PATAGONIA GOLD PLC

LOMADA DE LEIVA GOLD PROJECT
SCOPING STUDY RESULTS

Patagonia Gold (PGD) has completed the Scoping study on its 100 % owned Lomada de Leiva gold project in Santa Cruz Province, Argentina. The scoping study was compiled by Chlumsky, Armbrust and Meyer, LLC. (CAM) of Lakewood, Colorado, and was based on the previously released gold resource estimate on Lomada de Leiva.

The study involved investigating three processing cases; Direct Milling of the ore in a conventional mill; Heap leaching with a crushing stage to minus 12.5 millimetres for improved recovery and Run-of-Mine (ROM) heap leaching with lower capital cost and lower recoveries.

The ROM heap leaching was clearly the most attractive and profitable process and will now be used to advance the project towards production.

Highlights of the ROM heap leaching study (all currency in United States dollars):

- **Low pre-production capital cost of $8.5 million recovered within 14 months of startup. 7 years mine life based on an initial resource of 182,369 ounces of gold, with a production of 21,000 plus ounces of gold per year at a cash cost of $299 per ounce.**

- **Project cash flow, before tax, is $35.3 million based on a price of $650 per ounce gold (oz.Au) and a recovery of 80%. After tax NPV at a 10% discount rate is $18.9 million.**

- **Project cash flow, before tax, is $63.6 million based on $850 per ounce gold, and a recovery of 80%. After tax NPV at a 10% discount rate is $36.9 million**

- **Significant upside remains by increasing the size of the resource at Lomada de Leiva and the adjacent Breccia Sofia which would significantly extend the life of the Project.**

Commenting on this report, Managing Director Bill Humphries, said:

The development of the Lomada de Leiva Project will move Patagonia Gold to be cash positive by mid 2011 and, with the high cash flow generated in the early years of operation, will assist in the rapid development of the much larger Cap-Oeste Project.

La Paloma Property Group.

In February 2007 PGD acquired Barrick Group's entire exploration property portfolio in the Santa Cruz Province, Argentina. The portfolio included the La Paloma property on which Barrick had identified the potential for a gold resource in excess of 500,000 ounces (not compliant to Canada National Instrument 43-101 (NI 43-101).
As part of the purchase agreement a further cash payment of $1.5 million would become payable to the Vendors upon the delineation of 200,000 ounces or greater of gold or gold equivalent in the 'indicated' category, NI43-101 compliant, on the La Paloma Property Group.

Lomada de Leiva Project:
Lomada de Leiva Project, together with the adjacent Breccia Sofia Prospect, is located on the La Paloma property block and is approximately 40km to the south of the town of Perito Moreno.

Resource-Soon after acquisition PGD commenced an infill and extension drilling campaign on Lomada de Leiva and in August 2007 engaged CAM to independently define and describe a gold Resource at Lomada de Leiva, NI 43-101 compliant.

Extract from Resource published October 2007.

Table 1-1
Resource Totals

Resource Type	Cut-off (g/t Au)	Tonnes	Au Grade (g/t)	Contained Au (oz)
Measured	0.30	1,427,628	1.125	51,633
Indicated	0.30	3,574,388	0.955	109,713
Measured + Indicated	0.30	5,002,016	1.003	161,346
Inferred	0.30	3,412,271	0.672	73,725

In just 6 months from acquisition PGD established a resource of 161,346 ounces of gold in the measured and indicated category with a further 73,725 ounces of gold inferred.

CAM reported that there was a high potential to develop additional resources at Lomada de Leiva, both down dip and along strike to the south and in parallel structures identified by geophysics and drilling.

In addition exploration drilling on the adjacent Breccia Sofia confirmed the presence of high grade gold and silver in mineralisation similar to Lomada de Leiva.

However, being mindful of the need to become a producing company as soon as possible and not wishing to trigger the additional payment of $1.5 million to the Barrick Group until the economical viability of the project was established, PGD elected not to continue resource drilling and instead opted to complete a base line Scoping study.

Metallurgical testing using the 'bottle roll' technique on a significant number of composite samples showed the ore at Lomada de Leiva to be very amenable to leaching with excellent recoveries averaging 97% in just 12 hours with material crushed to minus 0.075 millimetres.

For this reason and based on the 1.0 gram per tonne resource CAM elected to conduct the Scoping study utilizing a conventional heap leach operation and because of the prevailing high gold price a duplicate study utilizing a milling operation.

Processing-CAM prepared three conventional processes to be considered for the project. These include:

1. Conventional grinding and milling followed by cyanide leaching and gold recovery from the activated carbon.
2. Conventional heap leaching, with the ore crushed to 80% passing 12.5 millimetres, leached in 6 metre lifts and gold recovered on activated carbon.
3. Conventional ROM heap leaching, with no crushing of the ore, leached in 6 metre lifts and gold recovered on activated carbon.

All of these processes are currently used in the industry.

The Capital costs for each process		Total operating cost per oz.Au	Gold Recovery
1-Milling	$31.7 million	$533	97%
2-Crush/Heap	$19.5 million	$385	93%
3-ROM	$8.5 million	$301	80%

Mining-Based on the estimated mineable material, CAM developed a mine and processing schedule at an average of 0.73 million tonnes of ore per year for 3 processing scenarios for the Lomada de Leiva Project.

Mining for the ROM heap leach scenario has an open pit mine shell designed for the mining of 4.7 million tonnes of ore and 5.9 million tonnes of waste (stripping ratio of 1.25) over a 7 year Life of Mine.

The average gold grade of ore mined is 1.2 grams per tonne for 182,369 contained ounces of gold. The recovery for the ROM heap leach process is estimated at 80% giving a total gold production of 145,895 ounces.

CAM assumed a contract miner would be used for the project since the project mining time frame is short.

Cash Flow and Sensitivity Analysis-The estimates of metal production, capital costs and operating costs are combined in the discounted cash flow evaluation. The economic evaluation is performed on a project basis, assuming 100 percent equity financing, with the base case utilizing a gold price of $650 per ounce of gold. All applicable royalties and export taxes have been allowed for in the cash flow analysis. The cash flows are pre-income tax for Argentina.

Economic Evaluation Summary
ROM-Heap Leach

Item	Unit	Value Gold $650/ounce	Value Gold $850/ounce
Pre production capital cost	$ x 1000	8,479	8,479
Sustaining Capital	$ x 1000	2,487	2,487
Operating cost	$ x 1000	43,599	43,599
Provincial royalties	$ x 1000	2,845	3,720
Cash costs	$/ oz Au	299	299
Gold production	ounce	145,895	145,895
Metal sales	$ x 1000	94,832	124,011
Project cash flow, before tax	$ x 1000	35,302	63,606
After tax NPV @10% discount rate	$ x 1000	18,960	36,886
Before Tax IRR	percent	15.0	24.0

Factors assumed in the development of the above cash flow model include:

- Sunk costs are not included.
- Payment of applicable royalties is included
- Working capital allowance has been included.

Based on the results obtained to date the ROM heap leach is by far the most attractive and profitable process and will be utilized to advance the project through Feasibility studies towards production.

Upside-The Lomada de Leiva Project has considerable potential to grow over the coming years.

Conversion of the remaining 50,000 ounces of inferred resource by infill drilling together with the high potential to develop additional resources by drilling at Lomada de Leiva and the adjacent Breccia Sofia could significantly extend the life of the Project and provide PGD with positive cash flow for the foreseeable future.

Substantially increased tonnage delineated would lower the operational costs for all three scenarios to a point where the Crush heap leach, with its much higher gold recovery of 93%, could become more profitable than ROM heap leach.

However, the estimated recovery of 80% for the ROM heap leach could prove to be conservative. The free leaching nature of the ore combined with good blast/fracturing techniques could see a substantial increase in recovery and every 1% increase adds approximately $1 million to the Project cash flow.

PGD has forwarded a 26 tonne bulk sample of ore to SGS Lakefield Research, Chile SA for further recovery testing for the 3 process scenarios, scheduled to be completed in March 2009.

In addition tenders are currently being sought from Independent Engineering companies to complete an Environmental and Social Impact study on the ROM Heap Leach process for possible trial heap leaching to commence in second half 2009.

Marc Sale, (BSC. Geology, Fellow AusIMM, member AIG) a Director and consultant to Patagonia Gold Plc and a Qualified Person as defined in National Instrument 43-101, has reviewed and verified all scientific or technical mining disclosure contained in this press release.

ENDS

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