

## Patagonia Gold PLC : Lomada Progress Report

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Patagonia Gold PLC

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*8th September 2010*

**DEVELOPMENT COMMENCES  
LOMADA GOLD-HEAP LEACH PROJECT  
SANTA CRUZ PROVINCE, ARGENTINA**

**Patagonia Gold Plc is pleased to announce the commencement of earthworks for the first stage of the Lomada Gold-Heap leach project on 30 August 2010.**

The Lomada de Leiva gold-heap leach project (Lomada project) is located on the La Paloma property block approximately 40km to the south of the town of Perito Moreno and currently contains a Canadian National Instrument 43-101 compliant resource of 237,000 ounces (ozs) of gold.

The first stage of the Lomada project consists of the construction of a 50,000 tonne trial heap leach, which based on 70% recovery, is estimated to yield approximately 2,200 oz. of gold for the first 6 metre loading.

Earthworks, pad construction, mining and loading are scheduled for completion in Q4 2010. Tenders for the associated infrastructure are being finalised for award in 4<sup>th</sup> week September with completion planned for early Q1, 2011. Irrigation of the heap leach pad will then commence with the production of the first gold soon thereafter.

Subject to successful leaching and additional permitting, further loading and production from the first stage heap leach will continue until the main 5 million tonne heap leach project is fully operational, scheduled for Q4 2011.

The features of the main heap leach project are:

- Low pre-production capital of \$8.5 million
- Production of 21,000 oz. of gold/year, for a mine life of 7 years, at a cash cost of \$299/oz
- Project cash flow before tax, of \$63.6 million, based on a cash price of \$850/oz. gold

There is significant potential to increase the mine life at Lomada de Leiva with further drilling on the remaining inferred resource not included in the main heap leach project, together with additional extension and exploration drilling on Lomada de Leiva and the adjacent Breccia Sofia prospect.

Commenting, Managing Director Bill Humphries, said:

*'It is very pleasing to announce the commencement of construction for Patagonia Gold's first gold mine, Lomada de Leiva, particularly with the knowledge that we have further exciting projects following in the development pipeline with the advanced Cap-Oeste, Cose and Manchuria projects.'*

**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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