

## Patagonia Gold PLC : Replacement - PROGRESS REPORT

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Patagonia Gold PLC

27 July 2010

### Replacement

This announcement replaces the Patagonia Gold Plc announcement "PROGRESS REPORT" RNS number 9367P released at 7.00am.

The date of which this announcement was released has been amended.

# PATAGONIA GOLD PLC

*27<sup>th</sup> July 2010*

## **PROGRESS REPORT LOMADA GOLD-HEAP LEACH PROJECT SANTA CRUZ PROVINCE, ARGENTINA**

### **Lomada de Leiva- Purchase of Estancia:**

- **Patagonia Gold Plc, through its subsidiary Patagonia Gold SA, has purchased the Estancia El Rincon of total area 6700 hectares, containing the Lomada de Leiva Heap leach gold project (Lomada project) together with other highly prospective gold areas.**

The purchase price for the land was US\$804,000 of which half was paid at completion with two further instalments of US\$201,000 due in October 2010 and April 2011. The agreement includes a sale back to the sellers after mining and or exploration have ceased for a period of two years (except cases of force majeure).

### **Lomada Project:**

The Lomada project, together with the adjacent Breccia Sofia prospect, is located on the La Paloma property block approximately 40km to the south of the town of Perito Moreno and contains a Canadian National Instrument 43-101 compliant resource of 237,000 ounces (ozs) of gold on which a positive scoping study has been completed.

### Highlights of the study: (US\$)

- Low pre-production capital of \$8.5 million
- Production 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.

In addition significant upside remains by increasing the size of the resource at Lomada de Leiva and the adjacent Breccia Sofia prospect.

In April 2010 the State Secretariat of Mining of the Province of Santa Cruz, Argentina, approved the Environmental Impact Study and issued the necessary permit for a 50,000t trial heap leach operation at the Lomada project.

Commenting on the land purchase, Managing Director Bill Humphries, said:

*'The acquisition of the freehold land rights is a pre-requisite to bringing the Lomada project into production. Construction of the trial heap leach is scheduled to commence in September with first gold production for Patagonia Gold in Q1 2011'.*

A Development team has been assembled with the aim of commencing construction of the trial heap leach in early September with completion in Q4 and irrigation and processing commencing soon thereafter. The trial, based on 70% recovery, is estimated to yield approximately 2,200 oz. of gold for the first 6 metre loading.

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

In full production the main heap leach should make PGD self sufficient in funding requirements for on going exploration at current levels of expenditure.

**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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