

Patagonia Gold PLC : FOMICRUZ SHAREHOLDERS AGREEMENT

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PATAGONIA GOLD SIGNS SHAREHOLDERS AGREEMENT WITH FOMICRUZ FOR THE DEVELOPMENT OF THE SANTA CRUZ PROJECTS IN ARGENTINA

Patagonia Gold Plc, ("PGD") is pleased to report the formalisation of the Shareholders Agreement ("SHA") with Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz"), a well established and respected mining company, wholly owned by the pro-mining government of Santa Cruz Province, Argentina.

The SHA sets out the terms and conditions for the management and development of Patagonia Gold S.A. ("PGSA"), where PGD will hold a 90% interest with the remaining 10% held by Fomicruz.

PGSA already contains PGD's mining properties, El Tranquilo, La Paloma and La Manchuria, totalling approximately 100,000 hectares, which include the advanced gold and silver projects of Cap Oeste-COSE, Lomada de Leiva and La Manchuria Main Zone.

Fomicruz will contribute to PGSA the rights to explore and mine approximately 100,000 hectares of their mining properties denominated Manchuria, Kaiken, La Marcelina, San Vicente, El Cóndor, La Australiana, La Esperanza and La última (the "Fomicruz Properties") located in the very prospective Deseado Massif, close to PGSA's El Tranquilo and La Manchuria block of properties.

This agreement allows PGSA to significantly expand its land position in the very prospective volcanic plateau of the Deseado Massif of Santa Cruz which hosts several mines in production including Cerro Vanguardia, Mina Martha, Manantial Espejo, San Jose Huevos Verdes, as well as various advanced projects such as Cerro Negro and Cerro Moro.

The key terms of the SHA include the following:

- PGD will fund 100% of all exploration expenditures on PGSA properties to the pre-feasibility stage, with no dilution to Fomicruz.
- After the pre-feasibility, Fomicruz will repay its 10% share of the expenditures, plus interest at LIBOR, through the offset of up to 50% of PGSA dividends, otherwise payable to Fomicruz.
- PGD will invest US\$5 million on exploration on the Fomicruz Properties over a five year period
- PGD will manage the exploration and potential future development of the PGSA properties.

Commenting on the formalisation of the Agreement, Patagonia Gold's Deputy Chairman Mr. Carlos Miguens said:

"We are very pleased with this partnership between the public and the private sectors. We value the support of our strategic partner Fomicruz, who will assist us in the sustainable development of our projects towards production, with special attention on the environmental, social and economic matters for the benefits of the shareholders, the

workers, the communities nearby and the whole province."

Miguel Angel Ferro, Fomicruz's President said:

"We are delighted with being partners of a well known and respected local business Group and part of a successful exploration Company such as Patagonia Gold SA. We are confident of the ability of the management to apply their proven experience in the Deseado Massif to identify high grade gold and silver deposits on the Fomicruz Properties, as well as on the prospective properties currently held by PGSA in the Santa Cruz province."

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