



Patagonia Gold PLC : Acquisition

Released : 09.12.2004

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ACQUISITION OF ARGENTINE EXPLORATION COMPANY MINAMALU SA

Patagonia Gold Plc ('Patagonia Gold'), the South American mining explorer, is pleased to announce the acquisition of the entire issued share capital of Minamalu SA ('Minamalu'), an Argentine exploration company which holds 40 per cent. interests in each of:

- Huemules SA ('Huemules'), which holds 14 mineral properties, for total area 17,322 hectares, located in the Cordon Huemules approximately 25 kilometres to the west of the Esquel gold project and containing the historical Huemules gold mine. Exploration in the late 1990's delineated an inferred gold resource of 114,300ozs in the immediate vicinity of the mine together with identifying other prospective areas;
- Leleque Exploration SA ('Leleque'), which holds 20 properties, for total area 83,778 hectares, to the north and adjacent to the Esquel gold project and though lightly explored, is considered highly prospective with several large colour alteration areas together with numerous gold anomalies that have been identified by previous exploration; and
- Minera Nahuel Pan SA ('Nahuel Pan'), which holds 11 mineral properties, for total area 14,030 hectares also considered to be highly prospective for gold with a large colour alteration area, along strike and to the south of the epithermal corridor in the Cordon de Esquel, separated only by the Willimanco fault valley.

The consideration for the acquisition, which completed on 8 December 2004, was £520,000 and was satisfied by the issue to the vendors of Minamalu ('Vendors') of £520,000 unsecured convertible loan notes 2007 of Patagonia Gold ('Loan Notes'). The Loan Notes are redeemable by the Vendors at any time and are convertible upon notice by the Vendors on the basis of 10 Ordinary Shares for every £1 of the principal amount of the Loan Notes held. Any Loan Notes still outstanding on 8 December 2007 will be redeemed by Patagonia Gold for cash. The Vendors are all members of the Miguens/Bemberg family and associates and include Carlos Miguens and Gonzalo Tanoira, both directors of Patagonia Gold, who will receive consideration comprising £98,800 Loan Notes and £36,400 Loan Notes respectively.

The remaining 60 per cent. shareholdings in the above three companies are held by a wholly owned subsidiary of Meridian Gold Inc ('Meridian'). Minamalu has a shareholders agreement with Meridian for the exploration and development of the mineral properties, held by Huemules, Leleque and Nahuel Pan.

Exploration of these three areas has been on hold due to Meridian's state of 'pause' on their Esquel gold project.

Patagonia Gold, with 45 per cent. of its shareholders based in Argentina, is successfully operating in the Chubut province, currently carrying out exploration activities on 37 properties covering 2,600km², including drilling on the Crespo project located 200 kilometres to the south of Esquel.

Speaking of the acquisition today, Bill Humphries, Managing Director, said: 'By acquiring Minamalu we have gained a significant interest in a highly prospective area that is host to one of the world's largest high grade gold deposits.'

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Trading Symbol PGD.L

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