



Patagonia Gold PLC : Purchase Option Agreement

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Patagonia Gold PLC
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PATAGONIA GOLD PLC

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PURCHASE OPTION AGREEMENT FOR KEY PROPERTIES IN CHUBUT PROVINCE, ARGENTINA.

- Patagonia Gold Plc ('Patagonia Gold') has entered into a Purchase Option agreement with Meridian Gold Group companies (MGG), for the exclusive right to acquire up to 100% of their exploration properties, Mina Cherque 1 and Cateo Canadon Verde, located in the Chubut Province.
- Initial results from sampling along the Western vein system predominantly within the newly acquired Mina Cherque 1 property, has returned high-grade values of up to 64.80 grams per ton (g/t) gold and up to 213g/t silver.
- Approvals have been received from the Chubut Mines Directorate for two Environmental Impact studies, submitted to support proposed drill programmes on the Crespo Project.

Mina Cherque 1 (Cherque), Expte: 13745/01 Tehuelches Region covering 23.3 square kilometres, is strategically situated within Patagonia Gold's highly prospective Crespo project, located in south western Chubut 200 kilometres south of Esquel.

The Crespo project, covering 600 square kilometres, is host to numerous low sulphidation epithermal vein systems discovered by Patagonia Gold's exploration teams including; Cabana, Jasper, El Lazo and Northern, where ongoing exploration and drilling has established the presence of widespread, high-grade, gold mineralisation.

A property wide stream sediment survey together with the interrogation of high definition satellite imagery identified a strong anomaly in the central western region of the Crespo project, which led to the discovery of the 'Western' vein system. Mapping to date has defined this vein system for over 880 metres mostly within the Cherque property.

Results from a sampling campaign along the vein system has returned high grade values with 5 samples reporting greater than 10 g/t gold, the highest being 64.80 g/t gold and 5 samples reporting greater than 50 g/t silver, the highest being 213 g/t silver.

The entire north-south corridor through Cherque, between the previously discovered Northern vein system and the Western veins to the south, exhibits strong hydrothermal alteration and contains many, as yet untested, quartz veins and silicified structures.

Approvals have been received from the Chubut Mines Directorate for two of the Environmental Impact studies (EIS) submitted to support the proposed drilling campaigns on the El Lazo veins and the 'Paleosurface' area on the Crespo Project. The EIS for drilling of the Northern and Western Veins is being prepared for submittal in early December.

The agreement provides for Patagonia Gold to spend US\$ 600,000 on exploration studies over a maximum period of 4 years to earn a 60% interest in the property. At that juncture, a Joint Venture (JV) could be formed to advance the property, or alternatively, MGG could retain a 2% net smelter return (NSR) in which case Patagonia Gold would be required to spend a further US\$ 400,000 over a maximum period of 3 years to earn the remaining 40% interest.

Cateo Canadon Verde, File 14,218/01 Languineo Region covering 15 square kilometres, is strategically situated within Patagonia Gold's highly prospective

Carrenleufu Block, located in the Andean cordillera along the border with Chile in south western Chubut.

The Carrenleufu Block, covering 560 square kilometres, is in the early stages of exploration with a first pass drainage sampling survey being completed earlier this year before the onset of winter. Results from the survey were highly promising with several panned concentrates from waterways returning values of up to 6 g/t gold. Exploration of these anomalous drainage areas will focus on identifying the source of the gold mineralization.

The agreement provides for Patagonia Gold to spend US\$ 240,000 on exploration studies over a maximum period of 4 years to earn a 60% interest in the property. At that juncture a JV could be formed to advance the property or, alternatively, MGG could retain a 2% NSR in which case Patagonia Gold would be required to spend a further US\$ 160,000 over a maximum period of 3 years to earn the remaining 40% interest.

ENDS

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