



Patagonia Gold PLC : Letter of Intent

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PATAGONIA GOLD PLC

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PATAGONIA GOLD FORMS A STRATEGIC PARTNERSHIP WITH FOMICRUZ S.E. FOR THE DEVELOPMENT OF PROPERTIES IN SANTA CRUZ, ARGENTINA

Patagonia Gold SA ('PGSA'), a wholly owned subsidiary of Patagonia Gold Plc, is pleased to report that it has entered into a Letter of Intent ('LOI') with Fomento Minero de Santa Cruz Sociedad del Estado ('Fomicruz SE'), a well established and respected mining company wholly owned by the pro-mining government of Santa Cruz Province, Argentina.

The LOI sets out the key terms and conditions of a strategic partnership between PGSA and government owned Fomicruz SE for the future development of PGSA's mining properties in Santa Cruz province, including the gold and silver projects of Lomada de Leiva, Cap Oeste and La Manchuria Main Zone, together with properties currently owned by Fomicruz SE.

PGSA and Fomicruz SE will, subject to the approval by their respective Board of Directors, enter into a detailed Shareholders Agreement which will include the following terms:

- A new company ('NEWCO') will be created in which PGSA will acquire a 90% interest and Fomicruz SE will acquire a 10% interest.
- PGSA will contribute to NEWCO approximately 100,000 hectares of its mining properties in Santa Cruz province consisting of the; La Paloma, El Tranquilo and La Manchuria block of properties
- Fomicruz SE. will contribute to NEWCO approximately 100,000 hectares of mining properties located in the very prospective Deseado Massif, close to PGSA's El Tranquilo and La Manchuria block of properties.
- PGSA will invest US\$ 5 million, over a 5 year period, on exploration expenditures on the properties contributed by Fomicruz S.E.
- PGSA will fund all the exploration expenditures on NEWCO's properties to pre-feasibility stage.
- Further development of the properties, through feasibility to production, will be funded on a pro-rata basis.
- PGSA will manage the exploration and potential future development on the properties.

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

'We are very pleased with the strategic partnership agreed with Fomicruz SE to progress our Santa Cruz mining properties towards production. Fomicruz SE is a well established and respected mining and petroleum company owned by the pro-mining government of Santa Cruz and therefore we are happy to have a strong partner with excellent expertise who will assist us in the sustainable development of our projects, with special attention on the environmental, social and economic matters for the benefits of the communities nearby and the whole province.

This agreement allows PGSA to significantly expand its land position in the Deseado Massif and we are confident of our ability to apply our proven experience in identifying high grade gold and silver deposits on the Fomicruz SE properties'.

Miguel Angel Ferro, Fomicruz SE's President said:

'We look forward to being a partner of an Argentine based mining company such as

Patagonia Gold S.A. on their advanced projects in the province, and to having their exploration expertise applied to our properties. We are very proud to be working together with the well known and respected local businessman, Carlos Miguens, who is investing in our province. Our experience in the Santa Cruz resource industry, including our investment in the nearby Cerro Vanguardia mine, will help facilitate the rapid development of the projects, which will bring significant benefits to the people of nearby communities, including the towns of Perito Moreno and Gobernador Gregores.'

ENDS

For more information, please contact:

Bill Humphries/Richard Prickett
Patagonia Gold Plc
Tel: +44(0)20 7409 7444

David Bick / Mark Longson
Square 1 Consulting
Tel : +44(0)20 7929 5599

Simon Raggett / Angela Peace
Strand Partners Ltd
Tel: +44(0)20 7409 3494

Alastair Stratton / Tim Graham
Matrix Corporate Capital LLP
Tel : +44(0)20 7925 3234 / +44(0)20 7925 7852

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