

## Patagonia Gold PLC : Replacement - Operations Update: Lomada de Leiva

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Patagonia Gold PLC

30 May 2012

The following replaces the announcement released on 30 May 2012 at 7:00 under RNS number 3586E07. The penultimate line of the third paragraph has been amended to read "14.573kg of gold" and not "14,573kg of gold". The full text of the announcement is as follows:

**30<sup>th</sup> May 2012**

### **Patagonia Gold Provides Operations Update For Lomada de Leiva Gold Project, Argentina**

**London, United Kingdom - 30<sup>th</sup> May 2012 - Patagonia Gold Plc (AIM: PGD, TSX: PAT) ("Patagonia Gold" or "the Company") today announces an update on its Lomada de Leiva operations**

#### **Highlights:**

- **Expansion of the heap leach trial to 135,000t is complete and is now under irrigation**
- **Preliminary reconciliation data shows excellent recovery rates over the first 36 days with 64% of contained gold recovered to carbon**
- **Gold room approval-permit received, with construction on schedule for completion early Q3 2012.**
- **Final Environment Impact Assessment (EIA) for full project submitted on 29<sup>th</sup> May to the Secretary of Mines, Santa Cruz**

#### **Trial expansion and Irrigation:**

Before proceeding with the main 5,000,000 tonne heap leach project Patagonia Gold has elected to expand the existing trial in two stages to a total of 200,000 tonnes to test the leaching kinetics of the pile to a height of 12 metres, the response to crushing to minus 100mm and to determine the cash operating costs per tonne of ore processed.

In February 2012 Patagonia Gold successfully commissioned its recently purchased PC6 mobile crushing unit used directly at the mining face. The second stage expansion of the Lomada heap leach trial, consisting of approximately 70,000 tonnes of material, with an average grade of 1.43 grammes per tonne gold (g/t au) crushed to minus 100mm, has been loaded onto the prepared pad area and is now under irrigation.

By crushing to minus 100mm the leaching rate and recovery of gold to solution has improved substantially with respect to the run of mine (ROM) material already leached in the first stage of the trial. An initial 15,180 tonne package of the second stage, with an average grade of 1.50g/t au, was leached for a period of 36 days with 300ppm NaCN solution applied at a rate of 10L/m<sup>2</sup> per hour. After completion of the 36 day period a total of 14.573kg of gold was recovered to carbon which represents 64% of the contained gold within the crushed

material.

The remainder of the second stage expansion is now under leach (photos can be viewed on the Company's website) and production to 27<sup>th</sup> May totals 47.730kg of gold including the above. The pad will remain under leach for an additional 50 days and will then be rested until early September. To date 97kgs of gold (calculated from pregnant solution and loaded carbon assays) have been accumulated on carbon awaiting completion of the gold processing facility or "Gold room" and final processing into doré.

Cash costs per tonne of material processed are estimated at \$9.20/t, including mining, crushing loading and irrigation plus all on site costs and consumables. No G&A costs or tax/depreciation were included in the estimate. The cost per tonne can be considered conservative as the mining of the material during this trial has been carried out by small capacity, general purpose, contracting fleets.

#### **Gold room processing facility:**

Approval of the EIA has been granted for the operation of the gold room processing facility for the Lomada Project. Civil works, engineering and tank works are in progress. Long lead items, including electro-winning cells, regeneration kiln and press filter were ordered well in advance and have either arrived or are anticipated within the next month. Commissioning of the Gold room is scheduled for Q3 2012.

#### **EIA- Main Heap leach operation**

Ausenco Vector has completed the final Environmental Impact analysis for the main 5,000,000 tonne heap leach operation. The study was delivered to the Secretary of Mining, Santa Cruz on the 29<sup>th</sup> May 2012. The submission of this study represents the final step required by the Secretary of Mining before approval can be granted to commence full production. Shareholders will be kept informed of the progress

#### **Ongoing capital requirements**

Following a review of the modified plant set up and the improved leach kinetics reported from the crushed material, management consider that Patagonia Gold will only require an additional \$US145,000 of capital investment into the existing processing plant to be able to achieve the design throughput of 500,000 tonnes per annum. AMEC Nevada is currently developing the design for the main 5,000,000 tonnes heap leach pad to be located 300m to the south of the existing trial. Geotechnical studies and a site visit have now been completed with the final design scheduled for completion in Q3 2012. An estimate of the capital required to complete the final pad will be provided at the date of completion of the design.

#### **Lomada de Leiva Gold project:**

The Lomada de Leiva gold heap leach project (Lomada project) is located on the La Paloma property block approximately 40km to the south of the town of Perito Moreno. The Lomada project currently contains a Canadian National Instrument 43-101 (NI 43-101) compliant resource, as set out in "NI 43-101 Technical Report" prepared by Robert L. Sandefur, P.E., of Chlumsky, Armbrust & Meyer, LLC (see Company's news release dated 4<sup>th</sup> October 2007).

A Preliminary Economic Assessment (Scoping Study), completed in November, 2009, found that the Lomada project was suitable for a heap leach processing operation, with minimal capital requirements, low operational cash costs and a potential strong cash flow which will support PGD's exploration expenditures on its properties in Santa Cruz for the foreseeable future.

Accordingly, permitting and construction of a large-scale heap leach trial, consisting of approximately 65,000 tonnes of ROM material grading 1.1 g/t au together with the processing facility, commenced in September 2010 with the successful commissioning in May of 2011. The trial operated satisfactorily recovering approximately 63% of the gold to carbon over 120 days of irrigation with completion in Q4 2011.

**Matthew Boyes, (BSC. Geology, Fellow AusIMM., member SEG), Chief Operating Officer for Patagonia Gold and a qualified person as defined in Canadian National Instrument 43-101, has reviewed and verified all scientific or technical mining disclosure contained in this news release.**

#### **About Patagonia Gold**

Patagonia Gold Plc is an advanced mining exploration company that seeks to grow shareholder value through the acquisition, exploration and development of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on the development of two properties: the flagship Cap-Oeste project and the nearby COSE project, which is expected to begin generating free cash flow by 2013. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina and Chile, covering approximately 800,000 hectares, being one of the largest landholders in the province of Santa Cruz. The Company is headquartered in London, with subsidiary offices in Buenos Aires and Toronto.

Patagonia Gold is listed on the Toronto Stock Exchange (TSX) under the symbol PAT and has been listed on the AIM market of the London Stock Exchange under the symbol PGD.L since 2003.

#### **Cautionary Statement Regarding Forward-Looking Information**

This news release includes certain information that may constitute "forward-looking information" under applicable securities legislation. Forward looking information includes, but is not limited to, statements about the completion of the construction of the gold room processing facility at the Lomada project, approval of the Environmental Impact analysis for the main heap leach operation at Lomada, the commencement of

underground mining operations at the COSE project, forecasts as to free-cash flow, strategic plans, mineral resources estimates, future operations, results of exploration, future works programs, capital expenditures and objectives. Forward-looking information is necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in the Company's public disclosure. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of management and information available to management at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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