

# PATAGONIA GOLD PLC

Trading Symbol PGD.L

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*4<sup>th</sup> February 2009*

## PROGRESS REPORT EXPLORATION AND DEVELOPMENT SANTA CRUZ PROVINCE, ARGENTINA

### Exploration and Development:

PGD is currently concentrating its exploration efforts on:

- **Lomada De Leiva Gold Project** on which a compliant resource of 237,000 ounces (oz.) of gold has been defined by PGD. A Scoping study has recently been completed, and the project is currently being progressed towards production.
- **Cap-Oeste Gold and silver Project** on which a compliant resource of 304,099 oz. of gold and 6,929,825 oz. of silver has been defined by PGD and where drilling is currently in progress to upgrade the resource. (See 13<sup>th</sup> January release)
- **La Manchuria Gold and Silver Project** on which PGD has recently completed a second successful drilling campaign frequently intersecting high grade gold and bonanza grade silver including: **1.1 metres @ 82.47 g/t gold and 10,485 g/t silver in drill-hole LM-30.**

In addition PGD has two Geological teams exploring the remainder of the 200,000 hectares of highly prospective properties.

### Lomada De Leiva Gold Project:

The Lomada de Leiva Project, together with the adjacent Breccia Sofia prospect, is located on the La Paloma property block and is approximately 40km to the south of the town of Perito Moreno

In November 2008, PGD reported that a positive Scoping study had been completed on the Lomada de Leiva Gold Project utilizing a Run-of-Mine (ROM) heap leaching process.

Highlights of the report were: (US\$)

- Low pre-production capital of \$8.5 million
- Production 21,000 oz. of gold/year, for a mine life of 7 years, at a cash cost of \$299/oz.
- Project cash flow before tax, of \$35.3 million, based on a cash price of \$650/oz. gold
- Project cash flow before tax, of \$63.6 million, based on a cash price of \$850/oz. gold.

In addition significant upside remains by increasing the size of the resource at Lomada de Leiva and the adjacent Breccia Sofia prospect.

**As a result of the positive Scoping study PGD has decided to progress the Project towards development with the aim of commencing production in the first half of 2010.**

Bulk metallurgical column testing is in progress at SGS Lakefield Research in Chile to test the ore over varying times with varying quantities of reagents to optimise the recovery of the gold, (estimated to be 80% in the Scoping study).

Vector Argentina SA (Vector), who have been responsible for all of PGD's exploration, environmental permitting for the past 3 years, has been engaged to provide the Environmental Impact Report (EIR) service for the production stage, scheduled for completion in June 2009.

Vector has also been engaged to develop an integral Base Line Study (BLS) for the Lomada De Leiva Gold project, scheduled for completion in October 2009.

A 1,500 metre drilling program will be carried out for geotechnical and sterilization purposes in May 2009 after which a full feasibility study will commence, scheduled for completion by the end of 2009.

PGD, assisted by Vector, is also preparing an application for an environmental permit, which would allow advanced exploration, for a trial Heap leach operation (trial) of 50,000 tonnes of ore. The trial is designed to field proof the column tests and to demonstrate that the Heap leach process is not harmful to the environment.

Once permitted, construction of the trial pad, mining and loading would take 3 months to complete. Irrigation would then commence with the first gold produced soon thereafter. The trial, based on 80% recovery, should yield circa 2,500 oz. of gold for the first 6 metre loading.

Management has estimated the total cost of development in 2009, up to the construction of the main Heap leach project, including all metallurgical testing, permitting, drilling and the cost of the trial, at approximately \$1.9 million.

Subject to permitting and performing to expectations, the trial could be loaded with at least 3 further 6 metre layers which should produce sufficient gold to contribute a substantial portion of the capital required for the main Heap leach operation.

Once in full production the main Heap leach should make PGD self sufficient in funding requirements for on going exploration at current levels of expenditure.

#### **La Manchuria property:**

The La Manchuria property, 100% owned by PGD, consisting of 5 expedientes (mining concessions) covering 5,575 hectares, is located approximately 50 kilometres to the south east of the Cap-Oeste Project and contains the Manchuria Main Zone gold-silver project.

#### **Manchuria Main Zone project:**

The second phase of drilling, consisting of 20 holes for 4,119 metres was completed in November 2008. The drill campaign was most encouraging frequently intersecting high grade gold and bonanza grade silver and confirming the robust mineralization.

Geological and geochemical appraisal of the Main Zone indicates the presence of a mineralised 'package', consisting of several narrow but very high grade discreet epithermal veins contained within more extensive disseminated mineralization. The 'package' is further contained in a dominant structural corridor which to date has only been drill tested for approximately 400 metres.

The corridor remains open to the north and to the south as well as down dip.

All results have now been received including the final results for the spectacular intersection in LM-30.

Results not previously reported include:

Hole No.	From	Interval	Grade	Grade
	metres	metres	Au g/t	Ag g/t
LM-030-DR	142.50	3.00	34.77	4,164
<i>Including</i>	143.50	1.10	82.47	10,485
LM-037-DR	155.10	1.50	15.10	29
<i>and</i>	248.65	1.15	118.50	127

Additionally, the intersection in LM 037 at 248.65 metres is 100 metres down dip to LM-20 which recorded 2.85 metres @ 22.35g/t gold and 401g/t silver.

To date, PGD has completed 40 drill-holes for a total of 8,099 metres in two campaigns at La Manchuria of which 27 drill-holes successfully intersected high grade gold and silver mineralization on the Main Zone.

The average width and grade of the 10 best intersections was 1.05 metres @ 21.87g/t gold and 3,282g/t silver clearly demonstrating the potential of the La Manchuria Main Zone Project.

A drill programme is currently being planned with the objective of infilling the existing drilling within the mineralised corridor and extending the high grade mineralization along strike and down dip in order to define a resource.

**Expenditure commitment:**

In February 2007 Patagonia Gold (PGD) acquired Barrick Group's entire exploration property portfolio of approximately 200,000 hectares.

As part of the 'Agreement', PGD was required to spend a minimum of US\$10,000,000 of approved expenditure commitment on the mining properties over a period of five years.

This expenditure commitment was achieved by December 2008 in just 22 months.

**Marc Sale, (BSC. Geology, Fellow AusIMM, member AIG) a Director and consultant to Patagonia Gold Plc and a qualified person as defined in National Instrument 43-101, has reviewed and verified all scientific or technical mining disclosure contained in this press release.**

**ENDS**

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