

Patagonia team aim for second time lucky

IF YOU want to transform your company from gold explorer to gold miner in a country like Argentina you need the support of the local community. This may sound like a self evident truth but it's become a central part of Patagonia Gold plc's modus operandi as the company sets its sights on becoming a at least a 100,000oz/y gold producer.

"We've worked in Argentina for a long time and we have a good reputation," is managing director Bill Humphries' simple repost to a question about the challenges of working in the country. In fact, he and his UK-based colleague, non-executive director Richard Prickett, have done it all before, having developed the Esquel Gold Project in Chubut Province, Argentina as part of Brancote Holdings, before selling out to Meridian Gold for US\$368 million in 2002. Meridian then ran into

problems with the local community and, after a high profile campaign, the mine was put on hold – as was all exploration in Chubut for three years.

Meanwhile, the Humphries-Prickett partnership (experienced mine manager and corporate financier respectively) reinvented themselves, setting up a new company, HPD Exploration, before the Brancote sell off, and ultimately floating it on AIM in 2003 before changing the name to Patagonia Gold.

The new company has been nothing if not light on its feet. After buying up the properties surrounding Esquel, the company made a sharp change of direction in the face of the Chubut road-block and switched its focus to the mining province of Santa Cruz in southern Patagonia. In late 2006, the company did a deal with Barrick Gold, acquiring all its Santa Cruz properties in February

last year, a total of 200,000 ha, for the equivalent of US\$5 million – US\$800,000 in cash and the rest in shares.

The immediate jewel in the crown from the Barrick portfolio is Lomada de Leiva in the Paloma Block where Patagonia has already completed a 9,000m drill programme and 750m of trenching. "We've had a NI 43-101 compliant resource done on the property and it came out at 163,000oz indicated resource with another 70,000oz inferred," says Mr Humphries. "We are currently doing a scoping study on the property and we expect to increase the resource substantially thereafter."

Moving 150km to the south, the company has also been drilling at its Cap-Oeste prospect which, with

La Manchuria Prospect



THE TEAM

BILL HUMPHRIES Managing director

Mr Humphries has experience in the mining and civil engineering industries. From 1996-98 Mr Humphries was general manager of Sardinia Gold Mining and from January 1999 to July 2002 he was managing director of Brancote Holdings plc. In June 2000 he became president of Landore Resources Inc and he has been managing director of Patagonia Gold plc since its inception.



CARLOS MIGUENS Non-executive deputy chairman

Mr Miguens joined the board in December 2003. He has extensive business experience in Latin America and was president of Cerveceria & Malteria Quilmes, one of Argentina's largest brewing companies, as well

as being a director of a number of other companies. He has been a director of Patagonia Gold SA since its inception and he was formerly a director Minera El Desquite SA.

RICHARD PRICKETT Non-executive director

Mr Prickett is a chartered accountant and has many years' experience in corporate finance. He was chairman of Brancote Holdings plc from 1995 until its merger with Meridian Gold Inc in July 2002. He is also a director of Landore Resources Ltd, and a non-executive director of Lewis Charles Romanian Property Fund plc, The Capital Pub Company plc, Asian Growth Properties Ltd and City Natural Resources High Yield Trust.



MARC SALE Director of operations

Mr Sale was appointed as director of operations in July 2006. He is a member of the Australian Institute of Mining and Metallurgy with over 25 years' experience with mineral exploration and development companies. Prior to joining the company, he was project manager for Brancote Holdings plc's Esquel Gold Project. Mr Sale has been a director of Patagonia Gold plc since September 2002 and is retained as technical advisor to Landore Resources Ltd.



another prospect, Breccia Valentina, is part of the El Tranquilo property block. After beginning the Cap-Oeste drill programme in October last year, the company completed 9,000m before Christmas and was recently able to announce an encouraging set of results along with an extension of Cap-Oeste to over 1,200m in length and up to 100m in depth.

"The zone remains open in both directions and is very prospective," says Mr Humphries. Highlights of the latest programme include 11.93g/t gold over 13.43m and 14.03g/t gold over 12.3m, along with bonanza silver, including 388.76g/t over 13.45m and just over 1m of the same drill hole at 3,410g/t. According to the company, the drilling has confirmed the presence of a wide gold mineralised structure with a core containing both high grade gold and silver.

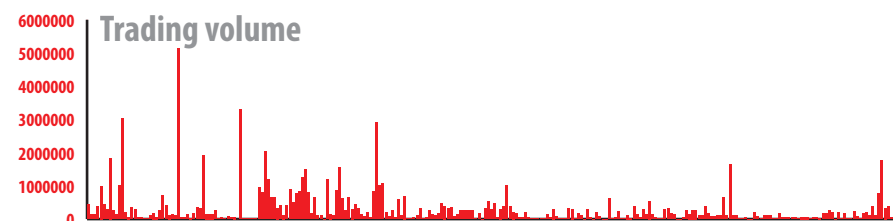
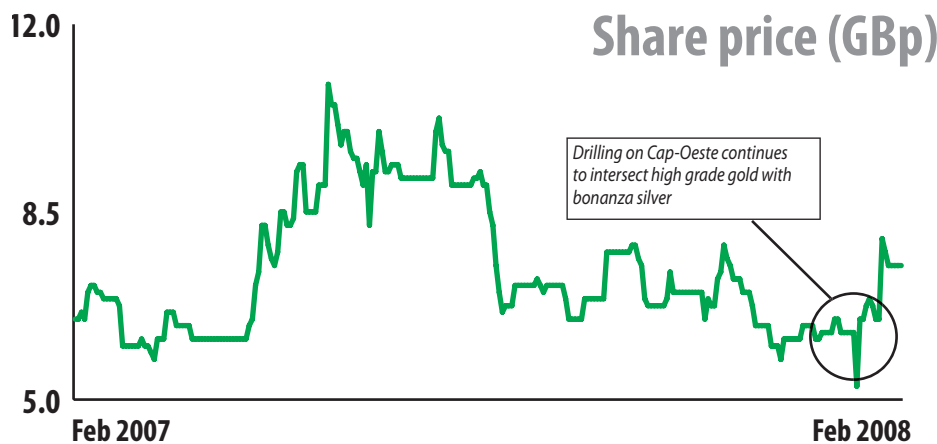
The aim, says Mr Humphries, is to advance both Lomada and Cap-Oeste towards production over the next two years while continuing to explore at other properties such as Cerro Vasco which is just 10km to the north of Lomada. "We see Lomada being taken above 500,000oz very easily," says Mr Humphries. "That would give us 50,000oz/y and if the resource moves up to a 1Moz we will be looking at 100,000oz/y. We will march Cap-Oeste forward in similar fashion and at the moment it's looking even larger than Lomada."

While projections like this could be construed as wishful speculation from other less experienced folk in the industry you get the feeling that Mr Humphries and Mr Prickett know what they are talking about, a) because they've done it before and walked away with a successful sale and b) because they really do have very strong local connections.

With regard to the latter, the top of the tree must be the pair's partnership with Argentinian businessman Carlos Miguens and his family which dates back to 1996 and has served all parties well in a land where local connections are all important. "We couldn't wish to have a better partner," is how Mr Humphries sums it up and who could argue with him given that Miguens, formerly the largest brewer in Argentina is now respon-

sible for 25% of the country's power generation as well as having good connections in all the right places. As a result of a placing in January, the Miguens family increased their stake to 49% and invested a further £2.25 million – enough to take Patagonia through the next few months and further indication that funding will not be a problem in the future, says Mr Prickett.

In fact, adds Mr Humphries, "we are perceived to be an Argentinian company down there" and for all intents and purposes it is, in the form of Patagonia Gold SA (a full-time Argentinian manager and a predominantly Argentinian staff). With a target to have Lomada at the feasibility stage by mid next year and Cap-Oeste not so far behind, this particular explorer looks to have every chance of turning itself into a fully fledged miner.



VITAL STATISTICS

Name: Patagonia Gold plc
Address: 15 Upper Grosvenor Street, London W1K 7PJ, UK
Tel: +44 (0) 207 409 7444
E-mail: info@patagoniagold.com
Website: www.patagoniagold.com

CONTACT

Managing director: Bill Humphries

SHARE INFORMATION

Listed: AIM
Ticker: PGD
Shares in issue: 402,922,913
Market cap: US\$52 million
Net cash: £2.25 million
Shareholders: Carlos Miguens 15.7%, Barrick Gold Corporation 8.4%, Maria Luisa Miguens de Tanoira 6.4%, Merrill Lynch Gold & General Fund 5.5%, Cristina Miguens 5.2%, Diego Miguens 5.2%

ASSOCIATES

Auditor: Grant Thornton
Solicitor: Lawrence Graham
Registrars and transfer agents: Capita Registrars
Nomad: Strand Partners
Nominated broker: Matrix Corporate Capital