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The Manager
Company Announcements
Australian Securities Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

SUBJECT: ENVIROGOLD ACQUIRES MINING PROSPECT IN ECUADOR

Mr Brian Johnson, Executive Chairman of EnviroGold Limited (ASX code "EVG"), advises that the Company has entered into a formal agreement to farm-in to an 85% shareholding in a small underground gold mining operation in the Pinglio area within the Machala region of SE Ecuador which has significant exploration potential over the 450 ha mining lease.

The lease to be covered by the farm-in was the subject of 9200m (102 holes) of RC drilling in 1991-92 together with extensive channel sampling of surface mineralisation and magnetic surveys by a substantial gold mining group.

EnviroGold's review of the prospect during its due diligence, which involved examination of drill data, assays, and an extensive report by a major international gold mining company in March 1995, indicated that the property could conceptually contain significant mineralisation.

The exploration work conducted previously does not confirm to JORC standards but reinforces the Company's internal targets for the project.

EnviroGold's consultants have commenced a review of existing data and underground workings, together with geological mapping before nominating an exploration target, drilling program and budget to establish resources.

It is proposed that the Machala mining lease will be transferred to a new holding company to be established by EnviroGold, and the vendor, Grumintor SA, will be issued shares in the holding company to the equivalent value of US\$1.5 million as consideration for the transfer, which is considerably less than the current cost of repeating past geological work on the property.

EnviroGold may progressively subscribe for up to US\$8.5 million shares in the holding company, at its option, over a period not exceeding three years, to gain an 85% shareholding.

The funds subscribed by EnviroGold will be applied, if justified, to a drilling program to establish indicated and inferred JORC resources, in addition to mine planning, environmental and other approvals, a bankable feasibility study including front end engineering design, and other development costs. EnviroGold will manage the project.

EnviroGold is also in advanced negotiations with the adjoining leaseholder to establish an option to purchase the property. Mineralisation is continuous across the farm-in property and the one under negotiation which, if purchased, could substantially increase the potential of the new project.

The development concept will be to establish a crushing and grinding operation at the current mine site which would be fed by a number of underground workings. The milled ore will then be delivered by a downhill 10km slurry pipeline to gravity and CIL circuits to treat the free milling oxide ore. The process plant will allow for later incorporation of an Albion process plant to oxidise underlying refractory ore.

The Government of Ecuador has recently incorporated new mining laws requiring leaseholders to meet work commitments and employ modern environmental procedures. Transport and use of cyanide is now restricted in certain hilly or mountainous regions. Numerous mines have recently been closed by authorities throughout Ecuador for environmental non compliance, including those in the Machala region.

EnviroGold's development concept has been welcomed by the Mines Department as it will not entail use of cyanide in the hills or disposal of toxic waste to rivers as was previously the case on the property being acquired.

The Government has nominated an acceptable site for EnviroGold's processing plant and tailings disposal and supports the concept of delivery by pipeline of ore after grinding, to avoid trucking over the inadequate road system.

Mr Johnson said that as with the Las Lagunas gold project in the Dominican Republic, he was confident that once EnviroGold commenced the development in Ecuador, a number of highly mineralised surrounding properties at Machala will fall to the Company and add to the potential life of the project.

As recently advised to shareholders, Mr Johnson envisages that EnviroGold will emerge as a gold producer with two arms to its business model, one being the extraction of gold and silver from polymetallic and refractory ore and tailings using the Albion process technology, and the other involving traditional mining operations.

The Company expects to have a number of prospects that fall within the first category under consideration in the near term based on its review and identification of opportunities in Latin America over the past three years.

The Las Lagunas project which will commence construction within three months, and the El Callao project in Venezuela should be excellent demonstrations to Government mining and environmental authorities, as well as owners of mid scale mines and prospective leases with polymetallic or refractory ores, that the Albion process technology promoted by EnviroGold could provide a profitable solution to their inherent environmental problems.

The Machala gold mining project is expected to be EnviroGold's first traditional mining operation in free milling oxide ore which, if it lives up to expectation, could be in production by the end of 2011, one year after completion of the Las Lagunas project, and will now become the top priority for the Company's next development.

Mr Johnson said that he expects EnviroGold to control and be managing the production of over 200,000 oz Au per year from existing projects within three years.

The primary challenge will not be in the identification of business opportunities throughout Latin America where the Company will focus its activities, but in the establishment of the management team necessary to successfully develop and operate projects in several countries.

Yours sincerely
EnviroGold Limited



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ENVIROGOLD GOLD PROJECTS LATIN AMERICA

Dominican Republic
Las Lagunas Gold Tailings Project

Venezuela
El Callao Gold Tailings Project

Ecuador
Machala Gold Mining Project

Peru
Trujillo Gold Mining Project



A PROFITABLE ENVIRONMENTAL SOLUTION
FOR THE MINING INDUSTRY



Underground Mine Portal - Machala, Ecuador



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Underground Workings – Machala, Ecuador



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Existing Process Plant – Machala, Ecuador



Proposed Plant Site – Machala, Ecuador



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