

Patagonia Gold PLC : DRILLING UPDATE - CAP-OESTE

Released : 07.04.2011

RNS Number : 4579E

Patagonia Gold PLC

07 April 2011

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**DRILLING UPDATE
CAP-OESTE GOLD-SILVER PROJECT
MONTE LEON PROSPECT
SANTA CRUZ PROVINCE, ARGENTINA**

Highlights:

- **Patagonia Gold SA (PGSA) is carrying out a 19,000 metre drilling campaign at the Cap-Oeste gold and silver deposit, aimed at extending the Main shoot down plunge and to test and infill 4 other peripheral shoots. The drill campaign is scheduled for completion in June following which a Resource Update is anticipated to be completed by Q3.**
- **Initial results are highly encouraging with the Main shoot now extended down to over 400 metres depth; drill hole CO-168 intersecting 14.50 metres at 10.13g/t gold and 143g/t silver and the adjacent shoot E extended down to over 260 metres depth; drill hole CO-170 intersecting 5.87 metres at 12.72g/t gold and 265g/t silver. Both shoots remain open and drilling is ongoing.**
- **A trenching program carried out on an 1,800 metre along strike section of the Monte Leon prospect, located 11 kilometres to the south east of the Cap-Oeste deposit and within the same structural corridor, has successfully identified wide zones of highly anomalous mineralization, including 48 metres at 1.01g/t gold in trench TR-016-MLN. A 3,500 metre diamond core HQ drilling program has commenced.**

The El Tranquilo property block, covering over 80 square kilometres, is located approximately 120 kilometres to the south east of the Lomada de Leiva gold project where development of a heap leach operation is currently in progress. El Tranquilo contains Patagonia Gold's flagship project, **Cap-Oeste**, together with numerous other prospects including **Monte Leon**.

Cap-Oeste project:

The Cap-Oeste project contains the Cap-Oeste deposit and the adjacent COSE deposit on which combined NI43-101 compliant resources of **762,325 ounces** of gold equivalent, 85% in the indicated category, have been delineated so far. The mineralisation on the Cap-Oeste project remains open in all directions.

A 19,000 metre diamond core HQ drilling campaign commenced in Q4 2010 to increase the resource base by extending the Main shoot down dip and to test and infill the 4 other shoots (B to E) already identified on the 1,200 metres strike length of the Bonanza fault structure. The drill campaign is approximately 45% complete and is scheduled for completion in June.

The existing Resource is predominantly based on the 150 metre long Main shoot with very little from the remainder of the

1,200 metre strike length due to the sparse density of the drilling. Accordingly, 12,000 metres of the current program is allocated to infill this area down to 125 metres depth at 25m x 25m spacing designed to bring any increase in the resource into the measured and indicated categories. The remaining 7,000 metres is aimed at extending the Main shoot and E shoot down plunge and along strike.

Results are pending and will be reported as received on a regular basis.

Monte Leon Prospect:

The Monte Leon prospect is located 11 kilometres to the south east of the Cap-Oeste deposit and within the same structural corridor. The Monte Leon prospect is both within the El Tranquillo mineral property block and PGSA's Estancia 'La Bajada'.

The Monte Leon prospect was identified in 2010 by PGSA's exploration teams using 'Hi-definition Landsat imagery and has been advanced through geophysics, mapping, rock chip sampling and trenching.

The prospect has now been defined over a 400m wide x 2600 m long north-south trending area hosting outcropping zones of veining, hydrothermal brecciation and silicification, gold and silver mineralisation . Continuous channel samples in trenching on the 1,800 metre long central area known as the 'Vein Zone' have returned grades of up to 1.01g/t gold over 48 metres, including 5.05g/t gold over 7.50 metres. The combined precious metal and pathfinder geochemistry, rock types and textures of mineralization are all characteristic of that found in the upper paleolevels of epithermal systems elsewhere in the Deseado Massif.

A geophysical dipole gradient array IP and resistivity survey, broadly centred on the Vein Zone, has been conducted at Monte Leon. This survey has highlighted a continuous 200m wide x 1800m long, north south trending, coincident zone of strong chargeability and resistivity, the strongest part of which extends over a strike length of approximately 700m immediately north of the Vein Zone and remains open to the north.

A trenching program comprising 16 trenches (TR-006-MLN to TR-021-MLN) for a total length of 4,007 metres has been completed during Q1 2011 over the Vein Zone. 1,009 sawn channel samples were submitted to the laboratory.

Results from the trenching programme include:

Trench No.	Trench	From	Interval	Grade
	Metres	metres	metres	Au g/t
TR-007-MLN	308	226.80	4.00	1.00
TR-011-MLN	305	217.00	2.00	2.70
and		257.50	26.50	0.48
TR-012-MLN	193	140.50	1.70	1.05
TR-013-MLN	441	320.00	9.50	0.74
TR-014-MLN	259	14.00	24.20	0.47
TR-015-MLN	275	46.00	32.00	0.87
and		200.00	22.00	1.05
TR-016-MLN	181	34.00	5.00	1.80
and		98.50	48.00	1.01
including		98.50	7.50	5.05
TR-018-MLN	260	52.00	28.00	0.30
TR-021-MLN	16	2.00	7.00	0.99

Given that the current land surface at Monte Leon is interpreted as being high in a paleo-epithermal system, these anomalous values are very significant and are seen as overlying a potential gold-silver rich system at depth.

A 3,500m diamond core HQ drilling program has commenced in the Vein Zone. To date 6 holes have been completed and results are pending.

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.

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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

Robin Henshall / Tim Graham

Strand Hanson Ltd
Tel: +44(0)20 7409 3494

Matrix Corporate Capital LLP
Tel : +44(0)20 3206 7172 / +44(0)20 3206 7206

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