

Patagonia Gold PLC : Drilling Report

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Patagonia Gold PLC

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Patagonia Gold Provides Drilling Update For Cap-Oeste South East, Argentina

London, United Kingdom - July 5th 2012 - Patagonia Gold Plc (AIM: PGD, TSX: PAT.) ("the Company") today announced updated drill results on its Cap-Oeste South East (COSE) project in Santa Cruz province, Argentina.

Highlights

- **Drilling 70m along strike to the northwest of the bonanza grade COSE gold and silver deposit has discovered a new zone of high grade mineralisation, with drill-hole CSE-081-D intersecting 2.30m @ 16.35 g/t gold and 248.45 g/t silver for 20.99 g/t gold equivalent (AuEq)**
- **The drilling also intersected a broad interval of mineralisation 205m along strike from the COSE resource, with drill-hole CSE-077-D reporting 20.15m @ 3.27 g/t Au and 35.84g/t Ag for 3.94 g/t AuEq**
- **A drill programme is currently under design to test down dip extension of the newly discovered mineralisation and the remaining 1km of strike extension yet to be tested between the COSE and Cap-Oeste deposits**

COSE Step-Out Drill Programme

Seven diamond holes for 2907m were completed in Q2 2012 in a step-out programme aimed at testing IP geophysical anomalies and the strike extent of the COSE faults in the area previously only sparsely tested between the current delineated COSE deposit and the Cap-Oeste deposit, located 1.9 kilometres along strike to the northwest.

Holes drilled along strike intersected the Bonanza-COSE fault at its projected depth with mineralisation similar in texture and grade to the COSE deposit.

Results include:

Hole-ID	From (m)	To (m)	Interval (m)	Grade Au (g/t)	Grade Ag (g/t)	Grade AuEq (g/t)
CSE-077-D	212.2	232.35	20.15	3.27	35.84	3.94
CSE-080-D	243.85	249.45	5.60	4.49	96.81	6.30
CSE-081-D	210.95	213.25	2.30	16.35	248.45	20.99
CSE-084-D	256.00	258.00	2.00	4.27	67.71	5.54
CSE-086-D	269.00	281.45	12.45	0.96	4.27	1.04

**The actual true thickness of mineralisation is estimated to represent between 80-85% of the intervals shown in the above table.*

*** AuEq(gold equivalent) ratio is 53.5:1 Ag:Au*

El Tranquilo Block

Patagonia Gold's El Tranquilo exploration and mining concession property block (El Tranquilo block), covering over 80,000 hectares, is located approximately 160 kilometres to the southeast of the town of Perito Moreno in Santa Cruz. The El Tranquilo block contains:

- Patagonia Gold's flagship **Cap-Oeste gold and silver project**, where a NI 43-101 compliant report and resource upgrade has recently delineated a gold equivalent (AuEq) resource of 8.18MT @ 2.28 g/t Au and 74.71 g/t Ag for 966,972 ounces AuEq within the Indicated category, with a further inferred resource of 2.42 MT @ 2.01 g/t Au and 49.84 g/t Ag for 228,968 ounces AuEq, as set out in "NI 43-101 Technical Report" prepared by Craig S. Bow Ph.D., CPG and Robert L. Sandefur, P.E., of Chlumsky, Armbrust & Meyer, LLC (see Company's news release dated November 30, 2011) and;
- The bonanza **COSE gold and silver project**, which has a resource of 20,637T @ 60.6 g/t Au and 1933.07 g/t Ag for 63,835 AuEq ounces in the Indicated category and 13,758T @ 60.06 g/t Au and 1933.07 g/t Ag for 42558 AuEq ounces in the Inferred category, as set out in "NI 43-101 Technical Report" prepared by Robert L. Sandefur, P.E., Greg Chlumskey B.S. and Steve L. Milne P.E. of Chlumsky, Armbrust & Meyer, LLC (see Company's news release dated March 29, 2011). (AuEq numbers are calculated at a ratio of 53.5:1 Ag to Au)

COSE Project

A total of 22,638m (107 holes including geotechnical and water monitoring) has now been completed into the COSE project and the area directly surrounding the delineated resource.

The structure hosting the newly intersected mineralisation along strike from COSE is similar in texture and is hosted within the same fault breccia that contains the bonanza grades of the COSE deposit. To date only the upper portion of the structure has been tested and when compared to COSE the newly intersected mineralisation sits approximately 50-70 metres above the main bonanza grade zone of COSE. The geological and mineralogical similarities of the new mineralisation suggest potential upside at depth below the current drilling.

A drill programme is currently being designed to test the down dip and strike extension to this newly intersected material at COSE. Drilling is currently in recess at El Tranquilo for the winter period. Patagonia Gold plans to restart drilling activities in Q3 of 2012.

Cap-Oeste Resource Upgrade

Patagonia Gold has retained mining engineering consultants, Chlumsky, Armbrust and Meyer, LLC (CAM) of Lakewood, Colorado, to independently prepare an NI 43-101 compliant report and resource upgrade on the Cap-Oeste deposit to include the Phase 3 drilling campaign completed in February 2012.

Patagonia Gold has completed an in-house model upgrade, including a full review of all quality assurance-quality control (QAQC) data, geological and grade wireframe modelling, internal resource estimate and the updating of all text required for the final NI 43-101 report. The Company submitted all data to CAM during the months of May-June and is now awaiting the results of their independent audit and external resource upgrade.

QAQC

PGSA has in place a stringent quality assurance and quality control programme to ensure best practices in sampling and assaying. All samples from the Cap-Oeste project were collected by employees of PGSA and shipped directly to Alex Stewart Laboratories Mendoza (ISO 9001 Certified) for preparation and assay in sealed bags. All samples are assayed for gold by fire assay and silver by aqua regia digestion with AA finish, according to Alex Stewart's procedures Au4-50 and Ag4A-50. Inductively-coupled plasma ("ICP") analyses for a suite of multi-elements (39 elements, including base metals and silver) were performed by procedure ICP-MA-39. Silver over a limit of 200 g/t was analysed by fire assay gravimetric finish. Gold above 10 g/t was re-assayed with gravimetric methods.

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 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 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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