

Patagonia Gold PLC : Cap-Oeste Resource Update

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Patagonia Gold Provides Updated Resource Estimate For Cap-Oeste Gold-Silver Deposit, Argentina

London, United Kingdom - September X 2012 - Patagonia Gold Plc (AIM: PGD, TSX: PAT) ("Patagonia Gold" or "the Company") today announced an updated resource estimate for the Cap-Oeste Gold-Silver project in the Santa Cruz province, Argentina.

Highlights:

- **24% increase in the Indicated resource:** Total gold equivalent (AuEq) ounces within the indicated category, is now increased to 1,197,000 reported above 0.30 g/t cut-off, an increase of 230,000 AuEq ounces with respect to the previously reported November 2011 resource.
- **30% increase in grade:** Indicated resource reported above 0.30g/t cut-off now grades 4.78g/t AuEq with respect to the previously reported November 2011 grade of 3.68g/t AuEq.
- **The resource remains open along strike and down dip in both directions. Resource extension-exploration drilling is planned to restart in October 2012 on the Cap-Oeste structure targeting primarily the highly prospective COSE-Cap-Oeste corridor.**

Commenting on this report, CEO of Patagonia Gold, Bill Humphries, said:

"Patagonia Gold remains focused on the discovery and development of high grade, low cost resources within our exciting portfolio of properties in the highly prospective Deseado Massif, Santa Cruz. This resource update has successfully increased both the grade and the ounces within the Indicated category on our high grade Cap-Oeste project. Patagonia Gold will now commence pre-feasibility studies in order to advance the project towards production, potentially for 2015".

Cap-Oeste Resource Update:

Total INDICATED ounces Cap-Oeste Resource undiluted ⁽¹⁾						
Cut-Off (AuEq g/t ⁽²⁾)	000-Tonnes	Grade			Contained Metal	
		Au g/t	Ag g/t	AuEq g/t ⁽²⁾	Au 000-oz	Ag 000-oz

0.30	7790	2.93	99.0	4.78	734	24801	1197
1.00	6409	3.43	112.5	5.52	706	23177	1138
3.00	2841	5.20	158.1	8.16	475	14442	745

- (1) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.
- (2) AuEq ounces calculated at 53.5:1 Ag:Au ratio.

Total INFERRED ounces Cap-Oeste Resource undiluted ⁽¹⁾							
Cut-Off (AuEq g/t ⁽²⁾)	000-Tonnes	Grade			Contained Metal		
		Au g/t	Ag g/t	AuEq g/t ⁽²⁾	Au 000-oz	Ag 000-oz	AuEq 000-oz ⁽²⁾
0.30	2369	1.52	52.5	2.50	116	4001	191
1.00	1406	2.05	55.1	3.08	93	2489	140
3.00	239	3.42	41.4	4.16	26	318	32

- (1) The quantity and grade of reported inferred resources in this estimate are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource. It is uncertain if further exploration will result in the upgrading of the inferred resources into an indicated or measured mineral resource category.
- (2) AuEq ounces calculated at 53.5:1 Ag:Au ratio.
- (3) Tonnes and contained ounces are reported to nearest 1000, Au and AuEq are reported to 0.01 g/t, and Ag is reported to 0.1 g/t. This does not imply this degree of accuracy in the estimates.
- (4) Numbers may not check exactly due to rounding.

Patagonia Gold contracted Chlumsky, Armbrust & Meyer L.L.C. (CAM) of Lakewood, Colorado, to independently audit and classify an updated mineral resource estimate for the Cap-Oeste gold and silver deposit, Santa Cruz Province, Argentina, and to prepare a technical report in accordance with Canadian National Instrument 43-101 (NI 43-101).

The Cap-Oeste deposit has been split into 3 distinct material types for modelling process, 1) oxide material, containing material which is highly oxidised and potentially amenable to cyanide in leach (CIL) or Merrill Crowe (MC) processing methods 2) sulphidic material, material which is predominantly non-oxidised and contains a high percentage of unweathered/oxidised sulphide minerals which will be amenable to either CIL, MC or flotation processing methods and 3) veinlet sulphide material, again sulphidic in nature although represents mineralisation not associated with the main fault breccia system and is associated with the Esperanza fault. Each material type attributed to the respective Indicated and Inferred resource categories is shown below.

INDICATED Cap-Oeste Resource undiluted, by material type ^{(1) (2)}								
Zone	Cut-Off (AuEq g/t ⁽²⁾)	000-Tonnes	Grade			Contained Metal		
			Au g/t	Ag g/t	AuEq g/t	Au 000-oz	Ag 000-oz	AuEq 000-oz
oxide	0.30	2355	1.66	62.8	2.84	126	4755	215
sulphide	0.30	4625	3.72	127.0	6.09	553	18885	906
vein sulph	0.30	810	2.10	44.6	2.92	55	1161	76

INFERRED Cap-Oeste Resource undiluted, by material type ^{(1) (2)}								
Zone	Cut-Off (AuEq g/t ⁽²⁾)	000-Tonnes	Grade			Contained Metal		
			Au g/t	Ag g/t	AuEq g/t ⁽²⁾	Au 000-Oz	Ag 000-Oz	AuEq 000-Oz ⁽²⁾
oxide	0.30	1150	1.06	21.5	1.46	39	795	54
sulphide	0.30	1212	1.96	82.2	3.49	76	3203	136
vein sulph	0.30	7	1.22	12.8	1.46	0.3	2.9	0.3

- (1) Resource tonnages and contained ounces are reported in millions of tonnes or ounces to two decimal places (the nearest 1000 tons) for comparative purposes only and do not imply this degree of accuracy. Gold grade is reported to the nearest 0.01 g and silver grade is reported to the nearest 0.1 gram this does not imply this degree of accuracy in the resource estimate.(CAM)
- (2) Au000-Oz, Refers to thousands of Ounces

The resource upgrade, generated from the Phase 3 drilling campaign consisting of 57 HQ diamond core drill-holes for a total of 20,210 metres, commenced in August 2011 and was completed on the 3rd February 2012. Drilling was targeted principally at the lower part of the Cap-Oeste deposit containing high grade intersections within and around the inferred tonnage of the November 2011 resource upgrade. The drilling successfully increased the grade, the contained ounces and the confidence level of the deposit.

The full Resource and report will be posted on the website, www.patagoniagold.com, as soon as practicable.

Global Resource:

Patagonia Gold has so far delineated indicated resources totalling **1,478,000** ounces AuEq and inferred resources totalling **398,000** ounces AuEq on the Cap-Oeste, COSE, Manchuria and Lomada deposits in the aggregate. All resources were

estimated in accordance with NI 43-101.

El Tranquilo Property:

The El Tranquilo property block, covering approximately 80,000 hectares, contains Patagonia Gold's flagship project, **Cap-Oeste deposit**, together with the COSE bonanza gold and silver deposit and numerous other prospects including Monte Leon.

Cap-Oeste Deposit:

The Cap-Oeste mineralization has now been intersected over a distance in excess of 1200m along the Bonanza fault structure, the majority of which is concentrated within a strike length of 650m by 350m in depth and in excess of 12m in average true width. The thickening of the mineralisation is due to areas of dilation where 2 or more major structures intersect. These zones of structural complexity exhibit the most potential for future resource expansion and are now the focus of future exploration. The Cap-Oeste deposit remains open along strike in both directions and down dip.

Phase 4 drilling continued through February to May 2012 and to date 43 HQ diamond core drill-holes for a total of 12,010 metres, have been completed towards the next planned resource update, expected in early 2013. Drilling is scheduled to recommence in Q4 2012 with the area of main interest being the relatively unexplored corridor between Cap-Oeste and the bonanza grade COSE deposit situated 1.8km to the south east of the main Cap-Oeste mineralised system. Recent drilling to the north west of the COSE deposit (announced in an RNS dated July 5th, 2012 titled "Drilling Update for Cap Oeste South East Deposit") has intersected mineralisation of similar texture and nature to COSE up to 200m from the main mineralised COSE body.

Patagonia Gold has now commenced the search for a consultancy group and feasibility study project manager to advance Cap-Oeste to the next stage which will consist of a full pre-feasibility study and extensive metallurgical testwork programmes. The latter are currently underway in Australia and Canada. As part of this process, the most appropriate mining and process methods will be investigated and designed and together with a comprehensive estimation of the projected capital requirements and operating cost analysis will be undertaken. The study is scheduled to start in Q1 2013 subject to the availability of the selected consulting groups. Both international and local groups will be used throughout the study. Progress reports will be given as the study is developed and before a decision to move into full feasibility is taken

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 its' two main projects; the flagship Cap-Oeste project and the nearby COSE project together with the development of the Lomada de Leiva heap leach 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, and is one of the largest landholders in the province of Santa Cruz.

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.

Matthew Boyes, (BSC. Geology, Fellow AusIMM) Chief Operating Officer for Patagonia Gold PGSA 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 press release.

Forward-Looking Information

This news release may contain certain information that constitutes forward-looking information within the meaning of applicable securities laws. Forward-looking information is frequently characterised by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking information includes, but is not limited to, statements about strategic plans, mineral resources estimates, spending commitments, future operations, results of exploration, commencement and completion of pre-feasibility studies, future work programs, commencement production, capital expenditures and objectives. Forward-looking information is based on the opinions, expectations and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices and other factors described above and in the Company's most recent annual information form under the heading "Risk Factors," which has been filed electronically by means of the Canadian Securities Administrators' website located at www.sedar.com. The Company disclaims any obligation to update or revise any forward-looking information if circumstances or management's estimates, expectations or opinions should change. The reader is cautioned not to place undue reliance on forward-looking information.

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