

## Patagonia Gold PLC : Operational Update

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Patagonia Gold PLC

11 November 2014

### **Patagonia Gold reports update on Lomada de Leiva production and the development of the Cap-Oeste and COSE Projects**

**London, United Kingdom 11<sup>th</sup> November 2014 - Patagonia Gold Plc (AIM: PGD)**("Patagonia Gold" or the "Company") is pleased today to provide an update on the current production at the Company's Lomada de Leiva ("Lomada") mine and the development of the Cap-Oeste and COSE Projects.

#### **Highlights:**

##### **Lomada Mine:**

- **Lomada mine reported record production of 3,900 ounces of gold in October 2014, bringing total gold produced for the last 3 months to 10,495 ounces.**
- **On target to achieve revised annual production forecast of 26,900 ounces of gold by the end of November 2014.**
- **Cash costs continue to improve with average all-in cash costs for August-September 2014 of \$ 699 per ounce, including plant depreciation, with October 2014 cash costs expected to be below that level.**

##### **Cap-Oeste Heap Leach project:**

- **Second and final column test nearing completion, with preliminary recoveries of 80% for gold and approximately 40% for silver from an agglomerated product.**
- **Design for plant and heap leach pad ongoing and scheduled for completion by late Q4 2014.**

##### **COSE Project:**

- **Pre-feasibility study well underway, completion expected within 2 months.**

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

*"The success of our Lomada mine, which continues to outperform expectations, is providing our Company with a sound foundation to continue with the development of our other advanced projects, Cap-Oeste and COSE, and with the exploration of our highly prospective targets identified this year on the El Tranquilo property block".*

##### **Lomada Mine:**

The Lomada Mine is located approximately 40 kilometres south-east of the town of Perito Moreno in the Province of Santa Cruz, and is within the Group's La Paloma property block, covering over 44 square kilometres.

**Production:** In July 2014 the Company commenced the ramp up of mining at Lomada for the planned expansion of

production to 3,000 ounces of gold per month.

October 2014 gold production reached 3,900 Oz, the third straight month of record production with the months of August through October contributing 10,495 ounces of gold. Average mined ore grade increased to above 3 grammes per tonne with the mining of the central high grade section of the pit further increasing the operating margin on the leached ore.

Year-to-date production is 24,186 ounces and with forecast November 2014 production Lomada is expected to achieve the revised annual target of 26,900 ounces.

Since inception through to the end of October 2014, the trial heap leach pad has recovered 70% of the estimated contained gold and is still leaching. These results confirm the expected pre-construction recovery estimations.

**Costs:** For the six months ending September 2014 (April-September), all-in cash costs for Lomada were **\$826 per ounce** (including \$122 per ounce for plant depreciation). For the months of August and September 2014, all-in cash costs fell to an average of **\$699 per ounce** with October 2014 costs expected to be below that level.

**Planned Works:** In Q1 2015, a cut back of the main pit is scheduled to commence, resulting in increased waste material movement for a period of up 4-6 months while deeper ore in the North and South of the pit is exposed.

#### **Cap-Oeste Heap Leach Project:**

The final stage test work on the Cap-Oeste agglomerated oxide material is nearing completion. Preliminary results to date are in line with previously estimated recoveries from a smaller first stage column with 80% of the gold and 40% of the silver being extracted to solution within the first 18 days of operation. The final reconciled recovery estimate will not be available until the columns are broken down following 40 days of leaching and the final head and tails analysis completed. However, the Company is confident that final recoveries will not vary materially from the numbers reported herein.

The plant design is continuing with the process route selected being a single phase leach and Merrill Crowe circuit. As previously stated, a 2 stage crushing circuit followed by a cement agglomeration stage will be installed with the cured agglomerated product loaded and leached in 6m lifts as with the current Lomada de Leiva operation. Annual production rates are being targeted at between 40,000-50,000 ounces of gold equivalent (gold, silver) production. Final cash flow numbers and capital requirements are scheduled to be available early Q1 2015 although preliminary capital estimates fall in the range of \$US 30-35M for the project. Project development commencement will depend on permitting and finance timetables, which are expected to be finalised within the next 3-4 months. Shareholders will be kept informed of progress.

#### **COSE Project:**

Pre-feasibility study work at COSE is continuing with completion of the study scheduled for the next 6-8 weeks. A final processing route for the ore has been selected after considerable test work and several processing route options explored. A small 15tph plant is being designed with a combination of scrubbing, flotation, leaching and then electro winning to produce a high purity gold-silver Doré. Ore will be mined from a single decline access mine with the current mine plan aiming at 100% extraction of the mineable portion of the resource.

Permitting for the decline construction has already been granted. A full mining permit will be applied for once the final pre-feasibility and updated Environmental Impact Statement (EIS) are completed and have demonstrated sufficient economic robustness to move forward. Financing alternatives for the construction of the mine are currently being evaluated.

**Ends**

#### **About Patagonia Gold**

Patagonia Gold Plc is a mining company that seeks to grow shareholder value through exploration, development and production of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on three projects: the flagship Cap-Oeste/COSE project, the La Manchuria project and the Lomada heap leach project, which is generating free cash flow. 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.

**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.**

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