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Patagonia Gold PLC

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Patagonia Gold Plc Operational Update

Patagonia Gold reports excellent production progress plus expansion plans for the Lomada Mine and the development of the Cap-Oeste Project

London, United Kingdom 29th January 2014 - Patagonia Gold Plc (AIM: PGD,) ("Patagonia Gold" or "the Company") is pleased today to provide an update on the current production and proposed expansion of its Lomada de Leiva ("Lomada") mine and the proposed development of the Cap-Oeste Project.

Lomada Mine Production:

- In December 2013, the Lomada trial heap leach produced 1,944 ounces (oz.) of gold bringing the total production for Q4 2013 to 5,178oz. Cash costs for the quarter were US\$678/oz. with all-in costs of US\$ 865/oz. and average gross sales receipts of US\$1,263.32/oz.
- Costs are expected to be further reduced in Q1 2014 with the full benefits of the newly commissioned plant upgrade now being realised.
- Main heap leach pad, with 1.5MT of capacity available for loading, now fully commissioned with pregnant solution being returned to the processing plant.

Lomada Mine Expansion:

- To reduce production costs further the Company has decided to reschedule its mine plan and increase production from the nameplate 21,000oz/annum to 33,000oz/annum commencing Q2 2014. The new plan will require minimal expansion of the mining fleet with no alterations to the processing plant and gold room, both of which have a design capacity of 40,000oz/annum.
- Planning is in progress for near mine exploration/drilling to commence H2 2014 for resource replacement and life of mine extension.

Cap-Oeste project;

- In light of the overall success of its Lomada heap leach mine, the Company has decided to move forward with the Cap-Oeste project adopting a two stage development plan.
- The oxide resource of approximately 200,000 ounces gold equivalent (Au/Eq) will be developed as a heap leach project similar to, but considerably larger than the Lomada Mine, targeting first production in 2015.
- The remaining Cap-Oeste sulphide ore will be developed in tandem with the bonanza grade COSE ore to share processing synergies. AMEC Engineering is progressing with a Pre-Feasibility study for the COSE and Cap-Oeste combined project, which is scheduled for completion later this year.

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: Lomada has now successfully achieved nameplate production with a total of 1,944 ounces of gold shipped in the month of December 2013. The plant upgrade, consisting of 6 new closed circuit leach columns, has been commissioned with a throughput of solution reaching the nominal capacity of 90m³/hour.

As of 15 January 2014, the main heap leach pad is now in production and will be operated in conjunction with the trial pad for the next four months. The fully constructed main pad and infrastructure has a capacity of 1.5MT with a further two cells already constructed awaiting lining and scheduled for completion in early 2016. The lining is on hand. All capital bar sustaining capital has now been invested.

The trial pad has been loaded to capacity with a final tonnage and grade of 405,600T @ 2.05 g/t Au for a total contained 26,696oz. gold. 13,820oz (51.8%) have been recovered to date with approximately 66% of target irrigation completed. Recovery and leach kinetics are in line with expectations and final recovery from the pad is expected to be approximately 70% of the contained gold. The trial pad will remain under irrigation for the next 4-6 months and then left to rest for the winter period with production being sourced from the main pad only.

Expansion: Rescheduling of the main pit is underway with an increased target forecast production of 33,000 ounces for 2014. The new plan will require minimal expansion of the mining fleet with no alterations being required to the processing plant and gold room, both of which have a design capacity of 40,000oz/annum. Cash costs for Q4 2013, the first full production quarter, were US\$678/oz. All-in costs for the quarter were US\$865/oz. and are targeted to drop to US\$650/oz by the end of Q1 2014 as production and operating efficiencies increase.

Planning is in progress for near mine exploration/drilling to commence H2 2014 for resource replacement and life of mine extension.

Cap-Oeste Project:

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

Study work continues on the Cap-Oeste project and the Company has now decided to move Cap-Oeste into production as soon as possible in light of the overall success of the Lomada heap leach. The Cap-Oeste project will be developed as a two stage project with the oxide material treated by heap leaching with a very similar set up to the Lomada heap leach mine although with a significantly increased operating capacity of approximately 150,000T per month. First production is targeted for 2015.

The second stage of the project will include a sulphide treatment plant which will first treat the COSE ore and then be modified with the addition of a pressure oxidation plant to process the Cap-Oeste sulphide material. Pit optimisation work is already underway and AMEC is currently running a new resource model as part of the overall Cap-Oeste/COSE pre-feasibility study, which is scheduled for completion later this year.

Newfields of Denver, Colorado, USA, has been contracted to commence the heap leach design for Cap-Oeste with Allard Engineering, also of Denver, contracted to complete the plant design. Both were involved in the Lomada engineering designs. Permitting of the Cap-Oeste heap leach will commence in early Q3 2014 with submission of engineering studies, environmental impact studies and blasting magazine construction permits. Progress reports will be issued as targets are achieved.

Metallurgical test-work is ongoing for the Cap-Oeste ore. Column heap leach testing on the Cap-Oeste oxide material is currently underway with initial results scheduled for mid-February 2014. Previous extensive testing showed recoveries to be similar to the Lomada project.

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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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