



Patagonia Gold PLC : Cap-Oeste Project and Lomada Operations Update

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Patagonia Gold Plc
("Patagonia Gold" or the "Company")

Cap-Oeste Project and Lomada Operations Update

Patagonia Gold Plc, the mining company with gold and silver projects in the southern Patagonia region of Argentina, Chile and Uruguay, is pleased to provide an update on its open pit mine and heap leach processing facility at Cap-Oeste (the "Project") and operations at the Lomada de Leiva mine ("Lomada").

Cap-Oeste

The Environmental Impact Study for the development and construction of, and the mining permit for the Project have now been approved and issued respectively by the Provincial Mining Authority. This is a significant milestone in terms of the continuing development and construction of the Project. Initial earthworks commenced at the Project in April 2016 and all equipment and plant supplies for the Project have now been purchased. Construction is also advancing as planned with initial production expected to commence during September 2016. A total of US\$13 million will be invested in the project to take it into production including capital expenditure and working capital.

The newly purchased mining fleet, consisting of three Caterpillar 773G trucks and a CAT 390C excavator, is now on site and currently being commissioned. The new equipment will replace some of the existing mine fleet transferred from Lomada, enabling the Company to demobilise all hire machines and is also expected to increase the overall earth moving capacity, resulting in a reduction in unit costs in local currency significantly.

All Cap-Oeste ore produced from the open pit operations will be treated via a heap leach operation similar to Lomada, with the dore produced being shipped directly from Cap-Oeste's gold room facility, which is currently being expanded to account for the increased silver content of the final dore product. The forecast production for the Project during the 24 month expected life of mine is estimated to approximately 82,000 oz AuEq, with potential to increase the mine life with supply from satellite deposits such as Monte Leon and La Manchuria. In this regard, a 2,000m reverse circulation drill programme is scheduled to commence in September on Monte Leon, with the objective of expanding the oxide mineralisation and delineation of an additional open pitable resource at Cap-Oeste. In addition, following the increase in the gold price, the Company is commencing a further optimisation study for the Project, based on prices of US\$1,350 Au and US\$20 Ag per oz versus the original pit study which was undertaken based on prices of US\$1,200 Au and US\$20 Ag, which may also increase the life of mine.

In respect of the underground mine at Cap-Oeste, metallurgical test work is continuing on the Arsenopyrite hosted mineralisation and recently completed floatation test work reported a 92.3% recovery of Au into a 62 g/t cleaner concentrate with silver assays still pending. The concentrate will now be subjected to a series of leach tests with oxygen addition and fine grinding of the concentrate. Subject to the outcome of this test work and it being demonstrated to be economically viable, there is a potential to unlock high grade refractory ounces in the deeper section of the Cap-Oeste resource.

Lomada de Leiva

Whilst mining ceased at Lomada in May 2016, irrigation of the heap leach pad has continued and Lomada produced 17,862 oz Au for the first seven months to 31 July 2016, which represents 14% above the Company's forecast for the period of 15,600 oz Au. Cash costs for the period were US\$572 per oz.

Gold production from the continued irrigation of the pad is now only forecast to continue for at least a further six months, as production has decreased faster than initially anticipated. The net profits obtained from this production are being utilised to

meet a portion of the operating capital requirements from the construction of Cap-Oeste. With the recent increases in the gold price and the removal of export royalties on dore, the Company is reassessing the viability of resources located in the southern end of the Lomada pit previously considered uneconomic.

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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 and Chile, and in Uruguay. The Company is primarily focused on three projects: the flagship Cap-Oeste/COSE project, the La Manchuria project and the Lomada heap leach project. 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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