

Released : 08.09.2011

RNS Number : 7924N

Patagonia Gold PLC

08 September 2011

## PATAGONIA GOLD PLC

Trading Symbol PGD.L

*8th September 2011*

### DRILLING UPDATE CAP-OESTE GOLD-SILVER PROJECT LOMADA PROGRESS REPORT SANTA CRUZ PROVINCE, ARGENTINA

**Highlights:**

- The 2010/11 infill and extension drilling campaign on the Cap-Oeste gold and silver deposit is now complete. Incoming results continue to be extremely encouraging, with bonanza gold and high silver grades intersected in a newly discovered zone, including 8.91 metres at 70.79 grams per tonne (g/t) gold and 518 g/t silver in drill-hole CO-285.
- Drilling is continuing on the Cap-Oeste deposit, which remains open along strike in both directions and down plunge. Drilling is also being carried out on La Pampa, COSE east and other prospects along the six kilometre strike extension of the Cap-Oeste Project.

Results of the infill and extension drilling campaign not previously reported include:

Hole No.	From	Interval	Grade	Grade
	metres	metres	Au g/t	Ag g/t
CO-227-D	344.00	4.35	14.69	383
CO-228-D	192.00	3.10	11.03	455
CO-229-D	389.00	2.00	29.24	563
CO-231-D	189.36	4.44	9.56	64
CO-239-D	120.00	5.00	9.12	176
CO-263-D	240.00	9.00	3.01	357
including	243.84	1.16	9.80	2,199
CO-267-D	244.72	9.28	7.15	206
CO-276-D	212.75	1.90	36.28	390
CO-281-D	318.00	20.00	3.92	48
including	326.42	3.48	9.39	154
CO-284-D	234.00	16.00	5.91	49
and	295.00	62.00	3.88	88
including	343.00	14.00	8.48	255

<b>CO-285-D</b>	<b>349.20</b>	<b>19.20</b>	<b>34.29</b>	<b>255</b>
<b>including</b>	<b>357.34</b>	<b>8.91</b>	<b>70.79</b>	<b>518</b>
<b>including</b>	<b>357.34</b>	<b>0.96</b>	<b>434.38</b>	<b>2362</b>

*\*Intervals reported in the above table are not true thicknesses, PGSA estimates that these intercepts represent between 85-90% of the actual true thickness of mineralisation*

The table below has been included for the purpose of highlighting the consistency of the high grade mineralisation intersected over bonanza grade interval at Cap-Oeste in hole CO-285-D

Hole No	From Metres	Interval (m) Metres	Grade Au g/t	Grade Ag g/t
<b>CO-285-D</b>	<b>357.34</b>	<b>0.96</b>	<b>434.38</b>	<b>2362</b>
<b>CO-285-D</b>	<b>358.30</b>	<b>1.45</b>	<b>45.93</b>	<b>205</b>
<b>CO-285-D</b>	<b>359.75</b>	<b>0.88</b>	<b>18.58</b>	<b>107</b>
<b>CO-285-D</b>	<b>360.63</b>	<b>1.62</b>	<b>7.57</b>	<b>23</b>
<b>CO-285-D</b>	<b>362.25</b>	<b>0.95</b>	<b>16.49</b>	<b>138</b>
<b>CO-285-D</b>	<b>363.20</b>	<b>1.00</b>	<b>6.93</b>	<b>40</b>
<b>CO-285-D</b>	<b>364.20</b>	<b>1.00</b>	<b>85.52</b>	<b>1463</b>
<b>CO-285-D</b>	<b>365.20</b>	<b>1.05</b>	<b>9.92</b>	<b>236</b>

The El Tranquilo property block, covering over 80 square kilometres, is located approximately 120 kilometres to the south east of the Lomada de Leiva gold project where a heap leach operation is currently in progress. El Tranquilo contains Patagonia Gold's flagship project, **Cap-Oeste**, together with numerous other prospects including Monte Leon.

#### **Cap-Oeste project:**

The Cap-Oeste project contains the Cap-Oeste deposit Canadian National Instrument 43-101 (NI43-101) compliant resources of **655,930 ounces** of gold equivalent, 88% in the indicated category. The above resource was delineated in the first drilling campaign completed in 2008/9 consisting of 156 drill-holes for 25,939 metres.

The recently completed 2010/11 second drilling campaign, consisting of 144 HQ diamond core drill-holes for 31,263 metres, brings the total metres drilled on the Cap-Oeste deposit to date to 57,202 metres. Assay results are pending for 14 drill-holes. Results will be reported as received.

PGSA has retained Mining Engineers, Chlumsky, Armbrust and Meyer, LLC of Lakewood, Colorado, to independently prepare a report and resource upgrade on the Cap-Oeste deposit which complies with NI 43-101. The report is now scheduled for completion in Q4 2011.

The mineralisation intersected in drill-holes CO-284 and CO-285 is very similar in grade, mineralogy and style to the fault breccia hosted, super high grade, COSE mineralisation located approximately 1.5km to the SE of the Cap-Oeste deposit. This new zone of mineralisation at Cap-Oeste is located close to the interpreted intersection of the Bonanza and Esperanza faults which are considered by management to be crucial in the control of mineralisation within the Cap-Oeste corridor.

Additional drill-holes have been designed both along strike and down dip of the newly discovered zone aimed at finding the location and extent of the potential feeder for this new area of bonanza mineralisation. The intersections in drill-holes CO-284 and CO-285 are two of the best produced since exploration began at the Cap-Oeste deposit four years ago.

These results highlight the undiscovered potential and quality of the projects which exists within the Cap-Oeste corridor.

#### **Lomada de Leiva project:**

The Lomada de Leiva gold-heap leach project (Lomada project) is located on the La Paloma property block approximately 40km to the south of the town of Perito Moreno and currently contains a Canadian National Instrument 43-101 (NI 43-101) compliant resource of 161,346 ounces of gold in the measured and indicated categories with a further inferred 73,725 ounces of gold.

Prior to the construction of the full Lomada project, PGD elected to construct and operate a 50,000 tonne 6 metre high trial heap leach pad to test and optimise construction methods together with the irrigation and processing facilities. The trial is expected to yield approximately 2,500 ounces of gold in 120 days of operation.

The trial, commissioned in late May 2011, operated to design expectations during the month of June with gold successfully being accumulated onto activated carbon. However, severe freezing conditions during the Austral winter months of July and August have impeded the operation of the trial with only 25% availability being recorded during those months. Full operation will resume at the start of October with completion of the trial now expected by the end of November.

Design of the Gold Room to process the Lomada gold is now complete and tenders are currently being called for its construction, scheduled for completion in Q1 2012.

Following the successful operation of the above trial heap leach pad, the trial will be expanded by raising the pad from the current 6 metres height to 12 metres to test the kinetics of the piling. This will expand the trial from 50,000 tonnes to 180,000 tonnes. The expanded trial is expected to yield approximately 8,000 ounces of gold. The earthworks and liner placement for the expansion are complete. Ore loading and irrigation is now expected to commence Q4 2011

**Matthew Boyes, (BSC. Geology, member 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.**

**ENDS**

*For more information, please contact:*

Bill Humphries/Richard Prickett  
Patagonia Gold Plc  
Tel: +44(0)20 7409 7444

David Bick / Mark Longson  
Square 1 Consulting  
Tel : +44(0)20 7929 5599

Simon Raggett / Angela Peace  
Strand Hanson Ltd  
Tel: +44(0)20 7409 3494

Stephen Mischler / Nick Stone  
Matrix Corporate Capital LLP  
Tel : +44(0)20 3206 7000

This information is provided by RNS  
The company news service from the London Stock Exchange

END

DRLSSAFSWFFSESU