

Patagonia Gold PLC : PROGRESS REPORT

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Patagonia Gold PLC

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PATAGONIA GOLD PLC

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**PROGRESS REPORT
CAP-OESTE, COSEGOLD-SILVER PROJECTS
LOMADA GOLD PROJECT
SANTA CRUZ PROVINCE, ARGENTINA**

Highlights:

- Final drilling results from the recently completed drilling campaign on the COSE project continue to report exceptionally high grade gold and silver, including drill hole CSE-O65-D intersecting 1.00 metre @ 346.60g/t gold and 16,519g/t silver.
- A potential new mineralised vein has been discovered at Cap-Oeste with drill-hole CO-166-D intersecting 1.10 metres @ 435.40g/t gold and 1,006g/t silver within the Esperanza fault zone
- Construction of the 50,000 tonne Heap Leach project at Lomada de Leiva remains on schedule, with the commissioning of the processing facility and commencement of irrigation anticipated for early March 2011.

The second stage extension and infill drilling campaign at COSE, comprising 23 diamond HQ core drill-holes for 6,582 metres, was completed in Q4 2010.

Results not previously reported include:

Hole No.	From	Interval	Grade	Grade
	metres	metres	Au g/t	Ag g/t
CSE-055-D	223.50	4.70	17.88	282
CSE-057-D	208.02	4.09	121.82	2,404
CSE-059-D	230.16	8.14	8.18	466
and	252.00	1.40	24.90	55
CSE-062-D	196.00	4.40	11.53	1,058
CSE-063-D	287.20	6.80	38.66	587
including	287.20	1.80	131.02	1,469
CSE-065-D	200.50	3.50	31.92	66
and	232.40	1.00	346.60	16,519

including	233.15	0.25	1,371.60	60,141
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Note: PGSA estimates that the reported intervals represent 75 to 80% of the true width of the mineralised structure.

El Tranquilo Property Block:

The El Tranquilo property block, covering over 60 square kilometres, contains the **COSE project**, the **Cap-Oeste gold and silver project**, the Pampa prospect and the Vetas Norte and Breccia Valentina structural trends. The property is located approximately 120km to the south east of the Lomada de Leiva gold project where development of a heap leach operation is currently in progress.

COSE project:

The COSE project contains an advanced exploration target associated with the larger Cap-Oeste gold-silver deposit located 2 kilometres to the north west.

The central mineralised breccia zone of COSE, containing the exceptionally high grade gold and silver, has been delineated within an area 120 metres down dip by 35 metres along strike with a true width of 3.5 to 4.5 metres. The second stage drilling campaign, designed to define the limits of the mineralisation for a maiden resource, has shown the deposit to be larger than initially indicated.

The mineralisation remains open in all directions.

PGSA has retained Mining Engineers, Chlumsky, Armbrust and Meyer, LLC. (CAM) of Lakewood, Colorado, to independently define and describe a gold and silver Resource at COSE, which complies with Canadian National Instrument 43-101 (NI 43-101). The report, together with a preliminary economic assessment, is scheduled for completion in Q1 2011

NCL Ingenieria Y Construccion SA, Chile, has prepared a preliminary cost analysis to evaluate the potential CAPEX and OPEX costs involved in the development of a decline access and an underground mine, using sub-level stoping, for the extraction of the known mineralisation at COSE.

NCL's report will be incorporated into CAM's NI43-101 report.

Cap-Oeste project:

The Cap-Oeste project contains the Cap-Oeste Main shoot gold and silver deposit on which an NI43-101 compliant resource of 655,932 ounces of gold equivalent, 88% in the indicated category, has been delineated so far. The mineralisation at Cap-Oeste remains open in all directions.

A drilling campaign commenced in Q4 2010 to extend the main shoot down dip and to test the 4 other shoots (B to E) already discovered on the 1,200 metres strike length of the Bonanza fault structure. The drill campaign is ongoing.

Drill-hole CO-166-D, designed to test for down dip extension on E shoot, located 200 metres to the west of the Main shoot on the Bonanza fault structure, intersected a potential new mineralised vein reporting **435.40g/t gold and 1,006g/t silver over 1.1 metres** within the Esperanza fault zone. The current drill campaign will be amended to further explore this exciting new discovery.

The Esperanza fault zone runs east-west sub-parallel on surface to the north-west trending Cap-Oeste Bonanza fault. The two fault zones have opposite dips indicating that they will intersect below the current known mineralisation providing a significant exploration target.

A total of 28,500 metres of drilling has been programmed in 2011 for the El Tranquilo property block of which 26,000 metres is allocated to increase the resource base on Patagonia Gold's Flagship Cap-Oeste project.

All drill-core was photographed prior to being cut for assaying. Samples were analysed by Alex Stewart (Assayers) Argentina SA. Check assays, standards and laboratory duplicates were performed on a systematic basis at Alex Stewart (Assayers) Argentina SA. The exceptionally high grade results have been analysed by both fire assay and gravimetric gold analysis. Gravimetric analysis is more accurate for extremely high grade gold and silver values and there has been a very good correlation of the gold fire assays values and gravimetric results with overall variation less than 5%.

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.

The first stage of the Lomada project consists of constructing a 50,000 tonne trial heap leach pad and processing facility, which based on 70% recovery, is estimated to yield approximately 2,200 ounces of gold for the first 6 metre loading.

Construction of the heap leach pad commenced in late September 2010. The heap leach pad's 100m x 100m base area, pregnant and barren solution ponds, plant site and emergency containment dam, mining and placement of approximately 50,000 tonnes of ore on the heap leach pad, have all been completed.

The processing facility and irrigation system are both currently being manufactured and are both on schedule for completion

and commissioning in March 2011.

Subject to successful leaching and additional permitting, further loading and production from the first stage heap leach will continue until the main 5 million tonne heap leach project is fully operational, scheduled for Q4 2011.

The features of the main heap leach project are:

- Low pre-production capital of \$8.5 million
- Production of 21,000 oz. of gold/year, for a mine life of 7 years, at a cash cost of \$299/oz.
- Project cash flow before tax, of \$63.6 million, based on a cash price of \$850/oz. gold.

Marc Sale, (BSC. Geology, Fellow AusIMM, member AIG) a Director and consultant to Patagonia Gold Plc and a qualified person as defined in National Instrument 43-101, has reviewed and verified all scientific or technical mining disclosure contained in this press release.

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