

Patagonia Gold PLC : Progress Update - COSE

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Patagonia Gold PLC

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**PROGRESS UPDATE
COSE GOLD-SILVER DEPOSIT
SANTA CRUZ PROVINCE, ARGENTINA****Highlights:**

- **Site works have commenced at COSE with preparation of the Box-Cut area for the underground access decline Portal installation and workshop facilities. Long Lead items of critical mining equipment have been received.**
- **Geotechnical and hydro-geological studies, together with the underground mine design, are now complete and the Tender process has commenced. Start-up of the access decline is anticipated in Q1 2012.**
- **Construction of a seventy-man camp, complete with kitchen, dining, laundry and recreational facilities has commenced, with scheduled completion by the end of Q4 2011.**
- **Appointment of Underground Mine Manager.**

El Tranquilo: 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 the **COSE bonanza grade gold and silver deposit** and numerous other prospects.

COSE deposit:

The COSE deposit is along strike and is associated with the larger Cap-Oeste gold-silver deposit located 2 kilometres to the north-west. A mineral resource estimate, completed in March 2011 on the COSE gold and silver deposit, defined 20,637 tonnes in the Indicated category and 13,758 tonnes in the Inferred category, both at 60.06 grams per tonne (g/t) gold (Au) and 1,933.07 g/t silver for a combined total of 106,393 ounces of gold equivalent (AuEq).

A Preliminary Economic Assessment, estimated a base case NPV of US\$ 93.8m, using a gold price of US\$ 1418 per ounce (oz) and silver US\$ 35/oz over a life of mine of 23 months. Total direct (OPEX) and capital (CAPEX) costs for life of mine (LOM) were estimated to be US\$ 33m using the direct shipping option of the mined ore to smelter.

Patagonia Gold has elected to 'fast track' the development and mining of COSE to provide funding towards the development of its flagship Cap-Oeste Deposit.

The COSE deposit is located 150 metres below surface and will therefore be mined by underground methods with a decline access. The underground mine design has now been completed and Tender documents sent to qualified contracting groups for completion of bids for the construction of the Portal, underground decline access and mining of the COSE ore-body.

All contractors selected to participate in the Tender bid currently have international experience and are also based in Argentina or other South American neighbouring countries, ensuring prompt mobilisation of staff and equipment. Bids are scheduled to be received by the second week in November after which the successful bidder will be awarded the contract to commence work in early Q1 2012.

The three long lead time items of critical mining equipment have been purchased and received by PGD in Buenos Aires. These are:

- 1) R1600 CAT Underground LHD (Load Haul Dump) scoop tram machine
- 2) AD30 CAT Underground truck, 30 tonne payload
- 3) Boomer 282 ATLAS COPCO twin boom Jumbo drill

The above equipment will be moved to site once the new maintenance workshop is completed. Work has commenced on the foundations and construction of the workshop structure.

Mr Stephen Ball has been appointed to the position of Underground Mine Manager and will oversee all development and mining of the COSE project over the next 2 years. Mr Ball has extensive experience in narrow vein Underground mining and has recently been involved with Kinross's Kupol mine development in far East Russia and the successful start-up of the decline at the Serra Pelada mine in Brazil owned by Colossus Minerals.

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.

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