

## Patagonia Gold PLC : Cap-Oeste Metallurgical Test Update

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Patagonia Gold PLC

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### Patagonia Gold Provides Metallurgical Test-work Update for Cap-Oeste Gold-Silver Deposit, Argentina

London, UK. - February 21 2012 - Patagonia gold PLC (AIM: PGD, TSX: PAT) today announced metallurgical test-work results on its Cap-Oeste gold-silver deposit in Santa Cruz province, Argentina.

#### Highlights:

- Two testwork programmes completed to scoping study level for both sulphide and oxide composite samples from the Cap-Oeste project indicate the potential for good recoveries in both gold (Au) and silver (Ag)
- Recoveries of Au and Ag to concentrate from sulphide samples reported up to 88.3% and 95.5% respectively (Comp 2, Table 2)
- Recoveries of Au and Ag from oxide testwork reported up to 98.8% and 97.5% respectively (Test 4, Table 4)

As part of the development of the Cap-Oeste project, Patagonia Gold has initiated a series of metallurgical testwork programmes to ascertain the expected recoveries of Au and Ag from the Cap-Oeste mineralised material. The testwork is ongoing and additional testing and optimisation work is required before a definitive process route and expected recovery can be determined.

#### Sulphide Testwork:

SGS Mineral Services, an independent laboratory located in Chile, recently completed mineralogical characterisation and flotation testwork on sulphide material samples from the Cap-Oeste project

Sample	Element for Assay	
	Au (g/t)	Ag (g/t)
Composite 2	4.2	66
Composite 3	6.5	256

Table 1-Original Hypogene-Sulphide composites used for flotation Testwork

Test	Concentrate Grade Au (g/t) over Time					Recovery Au (%) over Time				
	1 min	5 min	10 min	15 min	30 min	1 min	5 min	10 min	15 min	30 min
Comp 2	13.5	11.6	12	11.8	9.1	12	32.7	55.1	74.7	88.3
Comp 3	74.4	34.5	26	22.5	17.5	22.6	45.7	63.2	72.8	77.7
Test	Concentrate Grade Ag (g/t) over time					Recovery Ag (%) over time				
	1 min	5 min	10 min	15 min	30 min	1 min	5 min	10 min	15 min	30 min

<b>Comp 2</b>	<b>872</b>	<b>482</b>	<b>324</b>	<b>246</b>	<b>167</b>	<b>45.6</b>	<b>80.4</b>	<b>87.4</b>	<b>92.4</b>	<b>95.5</b>
Comp 3	5477	2306	1431	1104	814	39.3	70.3	80.1	82.2	83.2

Table 2-Flotation recoveries over time for Au and Ag

Comp 2 and 3 were ground to 100um for this specific test

After a 30 minute cycle time recoveries of Au were 88.3% and 77.7% for composite samples 2 and 3 respectively while Ag reported 95.5% and 83.2% respectively for the same 2 samples.

#### Oxide Test-work:

G&T Metallurgical Services Ltd, an independent consulting firm located in British Colombia, has recently reported testwork results for a series of scoping level metallurgical tests carried out on a medium grade composite oxide sample gathered from historic Cap-Oeste drill core. The sample tested had Au and Ag grades of 6.78 and 604g/t respectively. Tests included gravity separation and cyanidation, non-aggressive (test 2) and aggressive (test 4), gravity separation, flotation and rougher flotation only.

Sample	Element for Assay			
	Au (g/t)	Ag (g/t)	Fe (%)	S (%)
<b>Master Composite</b>	6.78	604	1.41	0.23

Table 3-Original sample composition for G&T test-work

Overall Gold and Silver Recovery								
Test	Gravity Conc. Dist		Flotation Conc		Cyanidation Bottle Roll		Overall Recovery	
	Au (%)	Ag (%)	Au (%)	Ag (%)	Au (%)	Ag (%)	Au (%)	Ag (%)
1	33.8	26.6	-	-	-	-	-	-
2	33.8	26.6	-	-	92.8	62.6	95.2	72.5
3	29.6	25.7	59.5	65.8	-	-	89.1	91.5
<b>4</b>	<b>33.8</b>	<b>26.6</b>	-	-	<b>98.2</b>	<b>96.6</b>	<b>98.8</b>	<b>97.5</b>
5	34.5	32.6	53.5	60.6	-	-	88	93.2
<b>6</b>	-	-	<b>87.5</b>	<b>92.3</b>	-	-	<b>87.5</b>	<b>92.3</b>

Table 4-Results of Scoping level Oxide Metallurgical test-work G&T

Results received to date are considered to be highly encouraging. G&T Metallurgical Services has been contracted to carry out pre-feasibility level definitive testwork and optimisation studies for the Cap-Oeste Sulphide and Oxide material. Approximately 1000kg of half core is currently being selected with three grade ranges from each material type. Testwork will include flotation Rougher and Cleaner tests, Knelson Gravity Separation tests, Cyanide leaching, Thickening tests, Bond Rod and Ball tests and QEMSCAN PMA.

This testwork programme is scheduled to commence in March 2012 with completion in Q3 2012. Further testwork will be conducted based on the findings of this programme as work proceeds on the feasibility study for Cap-Oeste.

#### Cap-Oeste Update:

El Tranquilo block contains Patagonia Gold's flagship **Cap-Oeste gold and silver project**, where an NI 43-101 compliant report and resource upgrade recently delineated a gold equivalent (AuEq) resource of 966,972 ounces AuEq within the Indicated category, with a further inferred resource of 228,968 ounce AuEq, as set out in "NI 43-101 Technical Report" prepared by Craig S. Bow Ph.D., CPG and Robert L. Sandefur, P.E., of Chlumsky, Armbrust & Meyer, LLC (see Company's news release dated November 30, 2011).

The Phase 3 drilling campaign on the Cap-Oeste deposit, consisting of 57 drillholes (CO-301D to CO-357D) totalling 20,210 metres, concluded on the February 3, 2012. Assay results are pending for 26 drill-holes and will be reported as they are received.

Patagonia Gold has retained mining engineers, Chlumsky, Armbrust and Meyer, LLC of Lakewood, Colorado, to independently prepare an NI 43-101 compliant report and resource upgrade on the Cap-Oeste deposit to include the Phase 3 drilling campaign. The report is scheduled for completion in Q2 2012.

Drilling is continuing at Cap-Oeste with three drill rigs working on the Cap-Oeste corridor, extending along six kilometres of strike from Pampa in the Northwest to Tango in the Southeast and includes the COSE high grade underground Au-Ag project.

#### COSE Update:

All bids for the construction of the decline and the mining of the bonanza grade gold and silver COSE deposit have now been received and the successful bidder will be announced once legal due diligence has been completed.

A temporary workshop area has been constructed and the site is now ready for mobilisation. The permanent maintenance workshop facilities are 50% complete. Mobilisation to site of the contractor is scheduled for early Q2.

#### Lomada de Leiva:

Work is proceeding on contracts for construction of the gold processing facility (Gold Room) for Patagonia Gold's Lomada de Leiva project. ANSAC Australia Pty Ltd has been awarded the contract for the construction of the carbon regeneration kiln with delivery estimated at the end of March 2012. Process Equipment International Pty Ltd of Australia has been awarded the contract for the construction of the electrowinning cells with delivery scheduled for early April. INFA S.A. has commenced all tank and civil construction of the Gold Room and commissioning is scheduled for Q2 2012.

Expansion of the trial heap leach pad at Lomada is proceeding on schedule. Loading of the proposed 120,000 tonne expansion to the existing 50,000 tonne trial heap leach pad is now underway with 10,000 tonnes of mineralized material crushed to minus 100mm loaded on the pad to date. Irrigation of the first 25,000 tonne cell of the expansion will commence in March 2012.

#### **QAQC**

Patagonia Gold has in place a stringent quality assurance and quality control programme to ensure best practices in sampling and assaying. All samples from the Cap-Oeste project were collected by employees of Patagonia Gold S.A. and shipped directly to Alex Stewart Laboratories, an independent laboratory located in Mendoza (ISO 9001 Certified), for preparation and assay in sealed bags. All samples are assayed for gold by fire assay and silver by aqua regia digestion with Atomic Absorption finish, according to Alex Stewart's procedures Au4-50 and Ag4A-50. Inductively-coupled plasma (ICP) analyses for a suite of multi-elements (39 elements, including base metals and silver) were performed by procedure ICP-MA-39. Silver over limits 200 g/t were analysed by fire assay gravimetric finish. Gold above 10 g/t was re-assayed with gravimetric methods.

**Matthew Boyes, (BSC. Geology, Fellow AusIMM., Member AIG), Chief Operating Officer for Patagonia Gold 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 news release.**

#### **About Patagonia Gold**

Patagonia Gold Plc is an advanced mining exploration company that seeks to grow shareholder value through the acquisition, exploration and development of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on the development of two properties: the flagship Cap-Oeste project and the nearby COSE project, which is expected to begin generating free cash flow by 2013. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina and Chile, covering approximately 800,000 hectares, being one of the largest landholders in the province of Santa Cruz. The Company is headquartered in London, with subsidiary offices in Buenos Aires and Toronto.

Patagonia Gold is listed on the Toronto Stock Exchange (TSX) under the symbol PAT and has been listed on the AIM market of the London Stock Exchange under the symbol PGD.L since 2003.

#### **Cautionary Statement Regarding Forward-Looking Information**

This news release includes certain information that may constitute "forward-looking information" under applicable securities legislation. Forward looking information includes, but is not limited to, statements about forecasts as to free-cash flow, strategic plans, mineral resources estimates, future operations, results of exploration, future works programs, capital expenditures and objectives. Forward-looking information is necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in the Company's public disclosure. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of management and information available to management at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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