

Released : 07.05.2013

RNS Number : 0382E

Patagonia Gold PLC

07 May 2013

7th May 2013

Patagonia Gold reports continued progress At Lomada de Leiva, Cap-Oeste/COSE and La Manchuria Projects

London, United Kingdom 7th May 2013 - Patagonia Gold Plc (AIM: PGD, TSX: PAT) ("Patagonia Gold" or "the Company") today is pleased to provide a progress update for its Lomada de Leiva, Cap-Oeste/COSE and La Manchuria projects in the Santa Cruz province, Argentina.

Lomada de Leiva:

- Preparation works for the 200,000 tonne expansion of the existing trial heap leach pad were completed in late March 2013 with loading of mineralised material, irrigation and production of gold in progress.
- Construction of the first stage of the main heap leach pad remains on schedule for completion in late Q2 2013. The PVC membrane lining of the drainage dam and buttress sections is now in place with pipework installation underway.
- Patagonia Gold's mining fleet has been delivered to site and commissioned. Operator training and demobilisation of hire gear is underway, with all contractor equipment scheduled to be off site by the end of May 2013.

Cap-Oeste/COSE

- Drilling in the structural corridor between the Cap-Oeste and COSE deposits continues to intersect wide zones of gold-silver mineralisation with drill-hole CSE-091 intersecting 66.6m at 2.04 grammes per tonne (g/t) gold and 36.18 g/t silver.
- COSE resource update to include the newly identified mineralisation scheduled to commence in Q3 2013 with completion in Q4 2013.
- Pre-Feasibility study on the Cap-Oeste deposit is set to commence in May 2013 led by Newfields Inc. of Reno, Nevada USA.

La Manchuria:

- Drilling has recommenced at La Manchuria with 4,000 metres of extension and exploration drilling scheduled for completion in Q2 2013.
- The Manchuria deposit is currently being re-evaluated as a potential bulk tonnage heap leach target that will incorporate mineralisation not previously included in the model.

"With the Lomada project funded to completion and set to provide free cash flow in the second half of 2013, Patagonia Gold can now focus on expanding its significant resource base of 1.88 million ounces of gold equivalent, concentrating on the highly prospective, high grade Cap-Oeste/COSE and La Manchuria deposits," said Bill Humphries, CEO of Patagonia Gold.

Photographs of the progress at Lomada and Cap-Oeste will be posted on the Company's website, www.patagoniagold.com

LOMADA DE LEIVA:

The Lomada de Leiva project is located approximately 40 kilometres south-east of the town of Perito Moreno in the province of Santa Cruz, within the Company's La Paloma property block, covering over 44 square kilometres.

Gold production continues with the mining, loading and irrigation of mineralised material onto the expanded trial heap leach pad.

Construction of the fully permitted Lomada main heap leach project is well advanced and on target to achieve full 'nameplate' production of 21,000 ounces of gold per annum in late Q2 2013. The company recently received a permit, issued by the national authorising body RENAR, to store explosives on site, which will both substantially increase mining capacity and reduce costs. Construction of the explosives magazine was completed in Q1 2013.

Targeted mine production of 65,000 tonnes of mineralised material per month is scheduled to be achieved by June 2013, which is expected to coincide with the completion of the main pad area. Mine office facilities are now onsite and installed and a 40-person mine camp has also been constructed. The mine camp, to be commissioned by late May, will increase onsite personnel availability and reduce administration, travel and lodging costs.

CAP-OESTE/COSE:

The El Tranquilo property block, covering approximately 80,000 hectares, contains Patagonia Gold's flagship Cap-Oeste project, together with the COSE bonanza gold and silver deposit and numerous other prospects including Monte Leon.

Ten diamond core HQ drill-holes totalling 2,475 metres have been completed so far this year targeting the wide mineralised area, previously identified by exploration drilling in 2012 (ref. news release 5 July 2012), along the Bonanza-COSE fault between the Cap-Oeste and COSE deposits. To date, the 1.5 kilometres of strike length has only partially been tested. Further drilling will be designed once all results have been received and the first phase of a new geological resource model has been completed.

COSE mineralised intersections include:

Hole-ID	From	To	Interval	Grade		
	(m)	(m)		Au (g/t)	Ag (g/t)	AuEq (g/t)
CSE-088-D	180.0	214.0	34.0	2.31	27.14	2.82
including	180.0	188.0	8.0	5.08	83.76	6.64
CSE-089-D	227.7	243.4	15.8	1.18	15.26	1.47
CSE-090-D	130.0	157.0	27.0	1.38	108.26	3.40
CSE-091-D	117.4	184.0	66.6	2.04	36.18	2.71
including	155.5	176.1	20.6	3.01	42.60	3.80
CSE-092-D	151.1	153.9	2.8	5.71	95.12	7.49
CSE-093-D	228.0	233.0	5.0	6.58	14.61	6.85

**Intervals reported in the above table are not true thicknesses and are estimated to represent between 80-85% of the actual true thickness of mineralisation*

*** AuEq(gold equivalent) ratio is 53.5:1 Ag: Au*

Patagonia Gold is assessing the possibility of including COSE in the Cap-Oeste Pre-Feasibility study. A recalculation and estimation of the COSE resource will need to be completed as the first step of the Pre-Feasibility study, after which the combined compliant resources of Cap-Oeste and COSE will be incorporated into the preliminary evaluation. Newfields Inc. of Reno, Nevada, USA will lead the pre-feasibility team along with mining consultant AMEC and potentially another third party to oversee plant and metallurgical process design and costing. Further updates will be provided as the Pre-Feasibility study proceeds.

LA MANCHURIA:

The La Manchuria project is located approximately 44 kilometres south-east of the Cap-Oeste and COSE deposits and represents a large system of low sulphidation style vein hosted gold-silver (Au-Ag) mineralisation which outcrops at surface. To date, the Company has completed 20,993 metres of diamond and reverse circulation drilling on this project. Patagonia Gold reported the following Canadian National Instrument (NI) 43-101 compliant resource in September 2010:

Indicated		Grade (g/t)			Metal (Oz)		
Domain	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq
Oxide	141,570	1.91	139.1	3.12	8,675	633,338	14,198

Hypogene	284,136	3.46	133.0	4.54	31,642	1,214,873	41,486
Total	425,705	2.95	135.0	4.07	40,317	1,848,211	55,684
Inferred		Grade (g/t)			Metal (Oz)		
Domain	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq
Oxide	496,179	1.33	42.5	1.66	21,138	678,485	26,462
Hypogene	972,840	1.64	53.0	2.05	51,197	1,656,751	64,220
Total	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682

The following economic assumptions were used in calculating the AuEq grade of each block:

Gold Price: \$US 925/oz Gold recovery: 95%

Silver Price: \$US 14.50/oz Silver Recovery: 60%

Formulae:

$$1) \text{ Metal Value} = \text{Grade} * \text{Metal Price} * \text{Metallurgical Recovery} * 0.032151$$

$$2) \text{ AuEq} = (\text{Au-Value} + \text{Ag-Value}) / (\text{Au-Price} * 0.032151)$$

"Thomas C Stubens, M.A.Sc., P.Eng., a Senior Geologist with Micon International Limited and a Qualified Person as defined in Canadian National Instrument 43-101, was the author of the report entitled "Technical Report on the Mineral Resources of the La Manchuria Project, Santa Cruz Province, Argentina", prepared for Patagonia Gold SA, dated 15th September, 2010."

Management believes that significant potential exists to substantially grow the resource base by changing the mineralisation focus from the thin, discontinuous high grade vein hosted model to a low grade bulk tonnage target. Preliminary re-evaluation work is underway. Should this study provide positive results, an updated 43-101 compliant resource will be prepared.

Drilling is currently in progress and will concentrate on extending the mineralised envelope on the Manchuria deposit and testing targets at Manchuria East and further to the north-east and south-east where no drilling has previously been completed. Drilling will also follow up on the excellent trenching results in Manchuria East including TR-EZ S07 reporting 12 metres @ 2.97 g/t gold and TR-EZ S09 2.5 metres @ 11.98 g/t gold. Both of these trenches intersect an outcropping vein structure with a strike extent of in excess of 300 metres.

Geochemical and geophysical programmes will also be undertaken during the second half of 2013 on both the La Manchuria property and the recently incorporated Manchuria South property which was obtained through the 2011 PGSA joint venture arrangement between the Company and Fomicruz, the Santa Cruz provincial mining company. Manchuria South contains mineralised occurrences previously delineated by Fomicruz.

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. The Company is primarily focused on four projects: the flagship Cap-Oeste project, the nearby COSE project, the La Manchuria project and the Lomada heap leach project, which is generating free cash flow. 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.

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 since 2003.

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.

Cautionary Note Regarding Technical Information and Forward-Looking Information

The Company's production decision in respect of the Lomada project is not based on a feasibility study of mineral reserves demonstrating economic and technical viability and therefore readers are cautioned that there is increased uncertainty and there are economic and technical risks of failure associated with such production decisions.

This news release may contain certain information that constitutes forward-looking information within the meaning of applicable securities laws. Forward-looking information is frequently characterised by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking information includes, but is not limited to, statements about strategic plans, mineral resources estimates, spending commitments, forecasts of free cash flow, future operations, results of exploration, commencement and completion of pre-feasibility studies, future work programs, commencement production, production schedules, capital expenditures and objectives. Forward-looking information is based on the opinions, expectations and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices and other factors described above

and in the Company's most recent annual information form under the heading "Risk Factors," which has been filed electronically by means of the Canadian Securities Administrators' website located at www.sedar.com. The Company disclaims any obligation to update or revise any forward-looking information if circumstances or management's estimates, expectations or opinions should change. The reader is cautioned not to place undue reliance on forward-looking information.

Contact Information

Bill Humphries, CEO
Patagonia Gold Plc
Tel: +44 (0)20 7409 7444

Colin Languedoc
Barnes Communications Inc.
Tel: +1 (416) 367-5000

Angela Hallett/James Dance
Strand Hanson Ltd
Tel: +44 (0)20 7409 3494

Rory Scott
Mirabaud Securities LLP
Tel: +44 (0)20 7484 3510

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

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

END

MSCSSSFMDFDSEII