

Patagonia Gold PLC : Production Update

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NEWS

Patagonia Gold reports update on Lomada de Leiva production and the development of the Cap-Oeste Project

London, United Kingdom 20th March 2014 - Patagonia Gold Plc (AIM: PGD) ("Patagonia Gold" or the "Company") is pleased today to provide an update on the current production at the Company's Lomada de Leiva ("Lomada") mine and the development of the Cap-Oeste Project.

Highlights:

Lomada Mine:

- Lomada has now successfully achieved nameplate production of 1,750 oz per month with an average of 1,807 oz per month being produced for the last 4 months. Fleet availability has improved and the main heap leach production facility and plant expansion continue to positively affect the production and operating efficiencies at the Lomada mine.

Lomada Mine Expansion:

- Orders have been placed for two new Volvo hauling units plus one 90T class excavator to expand the Lomada fleet at a cost of \$US 2.1m. No further capital is required to achieve the increased production target of 3,000 oz per month at Lomada.

Cap-Oeste heap leach project:

- Design work is well advanced for Cap-Oeste leach pad and plant.
- Preliminary test work results have now been received from the column test carried out by Mineral Advisory Group LLC on the Cap-Oeste oxide material. Recovery results are excellent with 76.9% of Au recovered within the first 16 days and 33% of Ag on an agglomerated product.

Lomada Mine: The Lomada Mine is located approximately 40 kilometres south-east of the town of Perito Moreno in the Province of Santa Cruz, and is within the Group's La Paloma property block, covering over 44 square kilometres.

Production: Lomada has now successfully achieved nameplate production of 1,750 oz per month with an average of 1,807 oz produced for the last 4 months. February was another good month for Lomada with 1,892 oz produced. Fleet availability has improved and the main heap leach production facility and plant expansion continue to positively affect the production and operating efficiencies at the Lomada mine.

Orders have been placed for the expansion of the mining fleet so that the production capacity can be increased to 33,000

ounces for 2014. The total cost of the fleet expansion will be \$US 2.1m and is included in the current fleet financing. All schedules and budgeting have been prepared at a gold price of \$US 1,200/oz Au for the life of mine. No further capital is required to achieve the increased production target.

Cap-Oeste Project:

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

The Cap-Oeste project is to be developed in 2 stages. The stage 1 component will comprise the development solely of the Oxide processing facility while design and test-work is completed on the more complex Sulphide material. Stage 2 plant design will also be designed to process the COSE ore for which test-work is now complete. Recoveries of greater than 97% for Au and Ag, respectively, are currently being achieved by treatment through a standard flotation and cyanidation of the concentrate process.

Both plant and heap leach pad designs are advancing rapidly for the stage 1 Cap-Oeste oxide project. Capex estimates for all major plant and crushing facility components have been received along with detailed engineering studies and heap leach pad consumable sand installation. Quotes have also been received for a full mining fleet from Komatsu. The total Capex is estimated at \$US 33.7m with \$US 11.7m required as pre-production capital, \$US 13.2m in year 2 and a further \$US 8.8m in years 3 and 4, including a component of sustaining capital.

Preliminary test work results have now been received from the column test carried out by Mineral Advisory Group LLC on the Cap-Oeste oxide material. Recovery results are excellent with 76.9% of Au recovered within the first 16 days and 33% of Ag on an agglomerated product. Over 90 days the estimated recoveries are 83.6% Au and 39.6% Ag respectively. Cementation dosage optimisation test work is now underway and results expected in the near future which will assist in the final opex estimates for the process costs.

A preliminary construction timeline has been set for commencement in Q3 2014 with a total estimated construction time of approximately 6 months and first production scheduled for Q1 2015. Production and construction timelines may vary dependent on PGSA receiving permits and long lead time items being delivered on time, updates will be provided with regards to permits as and when available.

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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 three projects: the flagship Cap-Oeste/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.

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.

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