

## Patagonia Gold PLC : Operational Update

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Patagonia Gold PLC

11 September 2014

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### **PATAGONIA GOLD PLC**

**("Patagonia Gold" or the "Company")**

#### **Patagonia Gold reports operational update on Lomada de Leiva Mine and exploration on El Tranquilo Property**

Patagonia Gold is pleased today to provide an operational update on the Company's Lomada de Leiva ("Lomada") mine and exploration on El Tranquilo Property.

#### **Highlights:**

##### **Lomada Mine:**

- **Lomada Mine reported record production in August, with a total of 2,961 ounces of gold recovered from the main and trial heap leach pads combined at an all-inclusive cash cost of \$625 per ounce.**

##### **Lomada Mine Expansion:**

- **The second large excavator delivered and operational. Lomada is on-track to achieve expansion target of 3,000 ounces of gold per month production by end of Q3.**

##### **Exploration:**

- **Exploration for 2014 focused on the El Tranquilo block with the identification and development of 22 new and existing targets. Exciting new mineralisation discovered at El Calafate and La Canada, near to Flagship deposit, Cap-Oeste. Additional drilling planned for late 2014**

##### **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.

Lomada is on-track to achieve its expansion target of 3,000 ounces of gold per month production by the end of Q3. All in cash costs including plant and mine fleet depreciation for August were \$625 per ounce Au and are expected to reduce further with improving operational efficiencies.

For the first eight months of 2014 the Lomada Project sold a total of 16,088.43 ounces of gold for gross revenues of \$US 20,837,508 at an average all in cash cost of \$US812 per ounce. Total ore mined from the commencement of the project is 736,600T @ 2.10 g/t for 49,800 Oz contained gold.

Full year guidance production has been revised due to the extended delivery timeline of additional mining equipment impacting the planned expansion. The full year production target for 2014 is now set at approximately 27,000 ounces of gold. The second large excavator has been delivered and is now operational with mine production steadily increasing. Equipment availability is also increasing due to the company taking on all maintenance in house and removing costly third party providers from site.

Exploration on the Lomada block is planned to recommence in Q4 of this year aimed at replenishing depleted resources from production and extending the mine life. The 40,000 hectares of PGSA leases around the existing mine have not been

extensively explored and first pass geophysics and geochemical programmes are planned for the area.

#### Exploration on El Tranquilo Property:

The El Tranquilo property, 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 majority of the 2013-2014 field season to date has been focused on the exploration of the El Tranquilo block with the identification and development of 22 new and existing targets. Implementation of a block-wide geochemical and ground magnetics programme has been instrumental in the location of significant new drill targets close to the existing Cap-Oeste ore body.

A 28-hole Reverse Circulation (RC) drilling programme, for 2,784 metres (m), was conducted during Q2 on the El Tranquilo block. Existing targets such as Felix and Santiago were tested again along with new targets including El Calafate and La Canada. Preliminary results from this programme are very encouraging, especially from these new targets:

**Table 1: Significant results from RC programme on El Tranquilo block**

Hole ID	Prospect	From metres	To metres	Length metres	Au g/t	Ag g/t
STG-003-R	Santiago	3	10	7	0.57	1.6
and		32	34	2	0.16	3.3
and		55	59	4	0.29	5.3
FLX-026-R	Felix	14	27	13	0.50	0.9
CAL-001-R	Calafate	22	34	12	0.52	1.4
CAL-003-R		27	60	33	0.14	1.2
TAG-017-R	Tango	13	27	14	1.15	8.3
including		16	22	6	2.30	14.2
LC2-001-R	La Canada 2	30	34	4	0.89	18.3
LC2-002-R		45	46	1	1.78	395.6

**El Calafate:** Six RC holes, for 596m, were drilled at El Calafate, the most prospective of the new targets discovered to date. El Calafate, located 4km NE of the Company's Cap-Oeste Au-Ag deposit, consists of a shallow SW dipping sequence of rhyodacitic and rhyolitic tuffs intersected by an abundance of NW-SE striking quartz-antimony veins outcropping over an area larger than 5k2. Previous field exploration revealed up to 9.8g/t Au in rock chip samples and Antimony (Sb) commonly exceeding the maximum limit of analytical detection, 2000ppm.

Three RC holes were drilled along a 1.0km section of the Mascherano Fault, within the El Calafate prospect, a major NW-SE striking fault zone identified during regional geological mapping and rock chip sampling. All three holes intersected zones of quartz veining with disseminated pyrite and arsenopyrite with the best result being 12m at 0.52g/t Au and 1.4g/t Ag in drill-hole CAL-001-R.

Exploration results to-date from the Mascherano Fault are interpreted to be from very shallow in the epithermal system. A detailed IP survey is scheduled for September to define deeper drill targets where precious metal grades are anticipated to be higher. This structure, up to 40m in width, has been traced for over 2km and is open in both directions. The Mascherano Fault is considered to be El Tranquilo's most significant structure outside of the Cap Oeste-COSE corridor.

**La Canada 2:** Three RC holes, for 290m, were drilled at the La Cañada 2 prospect located 11km east of the Cap Oeste deposit. The holes were drilled to test a NW-SE oriented structural discontinuity with quartz veining. All three holes intersected mineralisation with the best result being 1m at 1.78g/t Au and 395.6g/t Ag in drill-hole LC2-002-R.

#### Planned Works:

A follow up drill programme on the above new prospects is currently being designed for commencement in Q4 of this year. In addition a further 2,500m of drilling, along with a significant ground geophysical programme, is planned for the Monte Leon project. Quantec Geoscience of Mendoza, Argentina, has been retained to carry out 88.5 line kilometres of IP/Resistivity work on 6 separate prospects in September. The results of this study will be incorporated into the drill targeting and exploration plans for the remainder of the 2014-2015 field season.

**Ends**

#### 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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