

Patagonia Gold PLC : Update on Lomada and Cap-Oeste

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Patagonia Gold PLC

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Patagonia Gold reports update on Lomada de Leiva and plan for development of second heap leach operation at Cap-Oeste

London, United Kingdom 26 February 2016 - Patagonia Gold Plc (AIM: PGD) ("Patagonia Gold" or the "Company") today provides an update on the Company's Lomada de Leiva mine ("Lomada Mine") and Cap-Oeste gold and silver project ("Cap-Oeste Project").

Summary:

Lomada Mine:

- **Mining operations at Lomada Mine to be suspended at the end May 2016**
- **Gold production to continue until Q4 2017**
- **Production levels normalised in year to date**

Cap-Oeste Open Pit Heap Leach:

- **Heap leach project to be developed at Cap-Oeste mine**
- **Initial development of facilities expected to commence shortly with initial production targeted for Q3 2016**
- **2016 production estimated at 15,700 oz AuEq**
- **Ramping up in 2017 to 67,000 oz AuEq**

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 44,000 hectares.

The Lomada Mine has now been in operation since 2011 and produced a total of 82,000 ounces of gold to the end of 2015. As stated in the operations report in the 2014 Annual Report, based on the current resource for the Lomada Mine, mining was scheduled to cease in mid-2016.

In order to extend the mine life beyond mid-2106, exploration work commenced in H2 2015 and continues on the nearby Paloma blocks and nearby breccia Sofia target and the along strike extension of the Lomada de Leiva structure. However, there has been limited success in delineating a viable mineable resource to date and accordingly, the Company has decided to suspend mining operations at the end of May 2016. Exploration will continue on the Paloma block and on all areas within trucking distance of the existing pads and should a mineable resource be identified, mining operations will re-commence. The mining equipment and team based at the Lomada Mine will move to the Cap-Oeste Project, further details on which are provided below.

Despite mining operations being suspended at the end May 2016, irrigation of the pads is expected to continue for at least

another 18 months thereafter, as the total irrigated volume per cubic metre of material is approximately 83% of the 2m³ per tonne required to achieve the full design leach parameters and the 72% global recovery targeted from the trial production.

Production for the Lomada Mine has normalised in the year to date and the Company is on target to produce 9,000 oz Au in Q1 2016. In addition, increased production and the recent improvement in exchange rate coupled with the removal of the export tax are having a positive impact on costs.

Cap-Oeste Project

A series of updated pre-feasibility level investigations have been completed on the Cap-Oeste open pit and underground operations in conjunction with the Cap-Oeste South-East underground project ("COSE").

Based on this and additional work, an initial open pit design with a 24 month mine life has been selected by the Company for development with the option to increase the project mine life to six years with the development of the two underground projects. All material to be mined is "free-milling" or cyanide treatable in nature with recoveries of a non-agglomerated product expected to be in line with the Lomada Mine at 70% for Au while Ag is expected to be recovered in the order of 30%. All internal cashflow modelling has been completed using more conservative recoveries of 60% and 30% respectively. The proposed optimised open pit design carried out on the existing JORC compliant Measured and Indicated resources contains a total of 5.6Mt of waste and 1.56Mt @ 2.21 g/t Au and 80 g/t Ag for a AuEq (75:1) of 3.29 g/t.

Construction of the project will commence as soon as the necessary permits are obtained. The total construction period is estimated at approximately five months with initial production targeted for Q3 2016. The heap leach pad and plant will be constructed approximately 1.5km to the south west of the Cap-Oeste deposit in the location previously delineated by the pre/feasibility study and the project will also be able to utilise existing infrastructure, including the gold room constructed for the Lomada Mine located at Cap-Oeste, thereby reducing the project capex requirement. Achieving the forecast construction timeline will be subject to receiving of permits in a timely manner.

The total cost of the project is estimated to be \$13.0 million which includes the pad construction, fleet expansion, plant construction and \$4.5 million of working capital during the construction and ramp up phase. Discussions are ongoing with regards to the financing for the construction of the mine and further announcements will be made as appropriate. However, the Company proposes to commence initial earth works on receipt of the necessary permits, which are expected shortly, to take advantage of the season before the adverse weather conditions sets in and will be funded from existing cash resources and loan facilities available to the Company.

In the early stages of the pit development the Lomada Mine fleet will be utilised until additional trucking capacity is delivered and 2016 forecast production from Cap-Oeste is expected to be in the order of 12,200 oz Au and 222,000 oz Ag (total of 15,700 oz AuEq) with production ramping up in 2017 to produce a total of 53,900 oz Au and 1,000,000 oz Ag (total of 67,000 oz AuEq). Operating costs are forecast to be within the range of \$800 to \$850/oz including the capital amortisation and working capital component of \$4.5 million.

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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. 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.

Contact Information

Christopher van Tienhoven
Patagonia Gold S.A.

+54 911 5278 6950

Angela Hallett/Richard Tulloch/Ritche Balmer
Strand Hanson Limited
Tel: +44 (0)20 7409 3494

Stewart Dickson
Cantor Fitzgerald Europe
Tel: +44 (0)20 7894 7000

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