

Operations Update

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Patagonia Gold PLC

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

Operations Update

Patagonia Gold Plc (AIM:PGD), the mining and development company with gold and silver projects in Argentina, Chile and Uruguay, is pleased to provide an update on its operations, including in respect of its Cap-Oeste project and its exploration assets.

Cap-Oeste

As previously announced, following higher than anticipated clay content in the ore, the Company is currently installing an agglomeration unit at its open pit mine and heap leach processing facility at Cap-Oeste, and good progress is being made in this regard.

All civil works and liner installation for the expanded heap leach area and agglomeration unit have been completed and several main components including cement silos, generator, stacking conveyors and electrical infrastructure are all on site and in place for the arrival of the agglomerator and the main KLEEMANN crushing unit. The main agglomeration unit from WESTPRO International has now been shipped and is scheduled to arrive in Argentina next month. Set-up and installation are then expected to take a further three weeks from the date of arrival and commissioning is now expected in early July, with the first ore to be treated immediately thereafter.

Existing ore on the pad will be re-handled and agglomerated in parallel with ore being mined from the open pit. Production guidance for 2017 from Cap-Oeste remains as previously announced at 68,500 oz AuEq from the heap leach.

The Company also continues to evaluate the previously announced pit expansion at Cap-Oeste which has the potential to increase overall production to 186,800 oz AuEq and to increase the mine life from two to three years, subject to a further investment of approximately US\$2.5 million in machinery together with an increase in staff and related infrastructure.

Other projects

The Company continues to carry out exploration work on its portfolio of properties and is currently focused on Sarita and Manchuria in Argentina and San Jose in Uruguay. A detailed geophysics programme over Manchuria and Sarita is continuing with final targeting under way before drilling in the second half of 2017. High grade, low sulphidation is the primary target contained within an extensive package of veins with mapped outcropping strike lengths of over 12km. A further announcement will be made on results as and when they are received.

The Lomada operation is still producing approximately 15 oz Au per day and the Company will continue irrigating the pads for as long as the process remains viable.

COSE disposal

As announced on 25 April 2017, the Company has agreed to dispose of its Cap-Oeste Sur Este (COSE) deposit, which is located approximately 1km from the Cap-Oeste main orebody (which, as detailed above, the Company continues to own and to mine), to a subsidiary of Pan American Silver Corp. ("Pan American Silver") for a total consideration of US\$15 million, of which US\$7.5 million is payable on completion, expected to be on or around 31 May 2017, and US\$7.5 million is deferred, plus a 1.5% net smelter returns royalty.

COSE is a high grade underground deposit and given its high grade, it will be more appropriate to treat the ore through a conventional plant in order to realise better recoveries than heap leaching could achieve. In light of the financing required to develop the COSE underground mine and the associated processing facility, the Company agreed to dispose of COSE to Pan American Silver, which will be able to treat the COSE ore at its Manantial Espejo processing plant.

Pan American Silver recently reached an agreement with Coeur Mining on a neighbouring property - Joaquin - for similar strategic reasons. In closing this acquisition with Patagonia Gold, it is important to note that Pan American Silver will only have control over the mineral rights of a total of 51 hectares, which incorporates the COSE underground deposit. It will not have any rights to any other resources or exploration ground the Company holds within its 81,000 hectare El Tranquilo land package, including the Cap-Oeste deposit.

Calcatreu Option

As announced on 25 April 2017, Patagonia Gold also entered into an exclusive option agreement with a subsidiary of Pan American Silver to acquire the Calcatreu gold-silver asset in Rio Negro Province, Argentina for US\$15 million ("Calcatreu Option"). Under the Calcatreu Option, which is exercisable at the discretion of Patagonia Gold, the Company will have six months to exercise the option, during which time it will undertake and complete due diligence on the project. This will entail a full resource recalculation mining study and some first pass exploration, including drilling, to identify any upside potential in the immediate vicinity of the existing resources.

The Company believes that the Calcatreu Option presents an excellent opportunity to acquire a significant asset with approximately 1 million oz AuEq (combined indicated and inferred resources as per Canadian National Instrument 43-101 compliant resource based on metal prices of US\$12.50/oz Ag and US\$650/oz Au at the time of the mineral resource estimate by Micon International Limited of Toronto in 2008) together with exploration upside. From test work and analysis completed to date, the metallurgy for Calcatreu has shown excellent recoveries of gold and silver when treated with industry standard cyanide leach technology.

Patagonia Gold's objective as a junior miner is to achieve annual production of 100,000 oz AuEq over a mid to long term mine life. The Company believes Calcatreu offers this opportunity with a modest capital cost. Due diligence is under way and will be completed within the six month option period.

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 production at Cap-Oeste and exploration at Sarita, La Manchuria and the earn-in agreement in Uruguay. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina, Chile and Uruguay.

Shareholders are encouraged to register with our mailing list on our webpage: <http://www.patagoniagold.com/investors/subscribe-to-news/> to receive the Company's announcements.

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.

The information contained within this announcement is deemed by Patagonia Gold to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

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