

Operations Update

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Patagonia Gold PLC

21 February 2018

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

Operations Update

Patagonia Gold Plc, the mining company with gold and silver projects in the southern Patagonia region of Argentina, Chile and Uruguay, is pleased to provide an update on Operations.

Summary

- Production:
 - Total production for 2017 was 26,005 oz AuEq (2016: 25,800 oz AuEq, 2015: 21,521 oz AuEq)
 - Monthly production continues to ramp up at Cap Oeste and in January 2018, 3,646 oz AuEq were produced with February on schedule to exceed 4,200 AuEq
 - Cash costs in January were USD 711 per oz AuEq
 - Production guidance for 2018 is estimated at 59,000 ozs AuEq
- Following the update of the Cap-Oeste resource model the Company continues to evaluate alternatives to extract value from the 295,000 oz AuEq COSE style ore situated below the existing pit design
- A resource update of Calcatreu at current metal prices is underway and is expected to be complete by 31 March 2018

Production

Gold production at Cap Oeste continues to ramp up with January 2018 production reaching 3,646 oz AuEq, and February production is on target to exceed 4,200 oz AuEq. Although production for 2017 was below expectations due to a series of issues including importation delays, equipment downtime and industrial action the Company is now confident the circuit is running well and that 2018 production guidance will be achieved. The circuit is now fully commissioned and operating with an 85% plus availability. A better understanding of the leaching kinetics of the Cap-Oeste deposit combined with improvements made in the operating efficiencies of the circuit, higher grade mine feed as the pit deepens, and changes made to the leaching cycles has led to higher production and reductions in cash operating costs.

Engineering design and the acquisition of a second crushing and mixing circuit is now well underway with all major components purchased and in transit or currently under refurbishment. This circuit will be installed in Cap-Oeste in late Q2 with the objective of retreating approximately 800,000T of ore previously stacked before the agglomeration circuit was installed and operational. Due to the high moisture content and considerable clay content, a specialised roll crusher circuit has been sourced to enable this wet material to be treated without blocking the crushing equipment.

A trial re-crushing and leaching programme is due to start at Lomada during the second quarter; a trial of approximately 100,000T of higher grade previously stacked and leached ROM material will be mixed and crushed and then restacked with the objective of recovering any metal not leached from the uncrushed material. No estimate of anticipated production will be given at this point however management is positive the exercise will generate positive cashflow, and the operating cash cost is estimated at approximately \$4/T of material re-crushed. Further updates will be provided as the programme gets underway.

Cap-Oeste resource update

On 3 November 2017, the Company announced an update of the Cap Oeste resource model, which confirmed a JORC compliant resource model of Measured and Indicated resources containing 10,555,741T @ at an average grade of 2.07 g/t Au and 62.85 g/t Ag for 1,009,000 oz AuEq reported below the existing final pit design currently being mined. A portion of this resource is made up of high grade COSE style non refractory mineralisation which totals 472,426T @ 12.63 g/t Au and 469.96 g/t Ag for 294,596 Oz AuEq contained metal at a grade of 19.4g/t AuEq. The Company is currently evaluating the best means by which to realise value from this resource, including mining the resource and treating at its existing facility.

The Resource remaining as at 31 December 2017 are tabled below:

Gross Resources for Cap-Oeste December 2017							
Geo Ox	Tonnes	Grade (g/t)			Metal (ozs)		
		Au LUC/OK	Ag LUC/OK	Auequ Fin	Au	Ag	Auequ Fin
MEASURED RESOURCES							
Oxide	368	2.73	25.15	3.09	32	298	37
COSE	-	-	-	-	-	-	-
Fresh	2,913	2.94	49.39	3.65	276	4,626	342
Sub-Total	3,281	2.92	46.67	3.59	308	4,924	379
INDICATED RESOURCES							
Oxide	2,181,820	1.07	36.21	1.59	75,291	2,539,692	111,866
COSE	525,878	12.99	485.46	19.98	219,620	8,207,832	337,820
Fresh	8,213,073	1.71	47.03	2.39	451,405	12,419,091	630,251
Sub-Total	10,920,771	2.13	65.98	3.08	746,316	23,166,615	1,079,937
MEAS + IND RESOURCES							
Oxide	2,182,188	1.07	36.20	1.59	75,323	2,539,990	111,902
COSE	525,878	12.99	485.46	19.98	219,620	8,207,832	337,820
Fresh	8,215,986	1.71	47.03	2.39	451,681	12,423,717	630,593
Sub-Total	10,924,052	2.13	65.98	3.08	746,624	23,171,539	1,080,316
INFERRED RESOURCES							
Oxide	528,193	0.68	23.15	1.01	11,468	393,044	17,127
COSE	-	-	-	-	-	-	-
Fresh	4,366,559	1.45	36.14	1.97	203,929	5,073,580	276,999
Sub-Total	4,894,752	1.37	34.74	1.87	215,396	5,466,624	294,126
TOTAL	15,818,804	1.89	56.31	2.70	962,020	28,638,163	1,374,442

Gold equivalent (Au_{equ}) values are calculated at a ratio of 69.4:1 Au/Ag.
Rounding errors for averages and totals may occur.
Resource were calculated at Au price of \$1250/oz and Ag price of \$18/oz

Net Attributable Resources for Cap-Oeste December 2017							
Geo Ox	Tonnes	Grade (g/t)			Metal (ozs)		
		Au LUC/OK	Ag LUC/OK	Auequ Fin	Au	Ag	Auequ Fin
MEASURED RESOURCES							
Oxide	331	2.73	25.15	3.09	29	268	33
COSE	-	-	-	-	-	-	-
Fresh	2,622	2.94	49.39	3.65	248	4,163	308
Sub-Total	2,953	2.92	46.67	3.59	277	4,431	341
INDICATED RESOURCES							
Oxide	1,963,638	1.07	36.21	1.59	67,762	2,285,723	100,679
COSE	473,290	12.99	485.46	19.98	197,658	7,387,049	304,038

Fresh	7,391,766	1.71	47.03	2.39	406,265	11,177,182	567,226
Sub-Total	9,828,694	2.13	65.98	3.08	671,685	20,849,954	971,943
MEAS + IND RESOURCES							
Oxide	1,963,969	1.07	36.20	1.59	67,791	2,285,991	100,712
COSE	473,290	12.99	485.46	19.98	197,658	7,387,049	304,038
Fresh	7,394,387	1.71	47.03	2.39	406,513	11,181,345	567,534
Sub-Total	9,831,647	2.13	65.98	3.08	671,962	20,854,385	972,284
INFERRED RESOURCES							
Oxide	475,374	0.68	23.15	1.01	10,321	353,740	15,415
COSE	-	-	-	-	-	-	-
Fresh	3,929,903	1.45	36.14	1.97	183,536	4,566,222	249,299
Sub-Total	4,405,277	1.37	34.74	1.87	193,857	4,919,962	264,714
TOTAL	14,236,924	1.89	56.31	2.70	865,818	25,774,346	1,236,998

Gold equivalent (Au_{equ}) values are calculated at a ratio of 69.4:1 Au/Ag.
Rounding errors for averages and totals may occur
Resources were calculated at Au price of \$1250/oz and Ag price of \$18/oz

Calcatreu

Following the purchase of the Calcatreu project announced on 1 February 2018, the Company has engaged the services of CUBE Consulting to update the Calcatreu resource model at current metal prices. The current resource model was prepared by MICON International in February 2008 using prevailing metal prices of \$650/oz Au and \$12.50/oz Ag. The global resource reported contained 780,000 Oz AuEq @ 3.04 g/t in the Indicated category and a further 255,000 oz AuEq at 2.33 g/t in Inferred category. The new 43-101 complaint resource model is scheduled to be completed and released by 31 March 2018.

Exploration work will commence this month at Calcatreu with a Geophysics crew starting an Induced Polarisation programme on the extension of existing mineralisation where historic anomalies already exist. No exploration drilling has been completed on the Calcatreu project for the last 10 years and previously only exposed vein systems were tested, leaving in excess of 8km of strike potential completely untested with modern exploration techniques. The company remains very optimistic that further mineralisation will be encountered within the tenement package. Further updates will be provided in due course.

Glossary of technical terms

Ag	the chemical symbol for Silver
Au	the chemical symbol for Gold
AuEq	gold equivalent, taking into account the amount of AG, calculated at a ratio of 69.4:1 Ag to Au
g/t	grammes per tonne
Indicated Resource	that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation
Inferred Resource	that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity
JORC	the Joint Ore Reserves Committee: The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
LUK/OK	Localised uniform conditioning/Ordinary Kriging
Measured Resource	that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine

planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation where data and samples are gathered

Mineral Resource	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling
Moz	million ounces
oz	ounces
t	tonnes

Matthew Boyes, (BSC. Geology, Fellow AusIMM) Chief Operating Officer for the Company 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 announcement.

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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 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, Chile and Uruguay and is one of the largest landholders in the province of Santa Cruz.

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

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