National Instrument 43-101 Technical Report
Update of Cap-Oeste Project
Santa Cruz Province, Argentina

Prepared for:
Patagonia Gold Plc

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1.0 SUMMARY

1.1 Introduction and Terms of Reference

This report was prepared by Chlumsky, Armbrust & Meyer, LLC (CAM) on behalf of Patagonia Gold Plc (PGSA) to update and validate the exploration database for the Cap-Oeste Project (Cap-Oeste or the Project), located within the ‘El Tranquilo I’ MD claim in the province of Santa Cruz, Argentina. The authors have visited the property on several occasions; most recently, CAM geologist Craig Bow was on site August 16th and 17th of 2011. The effective date of the mineral resource estimate is 23 April 2012.

1.2 Property

The Cap-Oeste Project is situated in the central portion of the ‘El Tranquilo I’ MD (Manifestation de Descubrimiento) claim which is held 100 percent by PGSA, the Argentine subsidiary of Patagonia Gold Plc. An agreement exists between PGSA and the previous owners, Barrick Exploraciones S.A. and Minera Rodeo S.A., both subsidiaries of Barrick Gold, for 2.5% net smelter return royalties upon production. In accordance with the original agreement, PGSA has fulfilled all its investment commitments. The Cap-Oeste Project is completely contained within two farms named ‘La Bajada’ and ‘El Tranquilo’ which were purchased by the Company in December 2008 and December 2011 respectively.

The ‘El Tranquilo I’ MD claim is one of several tenements in PGSA's El Tranquilo project block. Another advanced project called “COSE” is located on the same MD claim, centered approximately 1.5 kilometres to the southeast of the Cap-Oeste prospect. COSE is the subject of a separate NI 43-101-format Technical Report completed by CAM and submitted to Patagonia Gold in September, 2011. The COSE report was filed on SEDAR in Canada on 6 December 2011, coinciding with the listing of Patagonia Gold on the Toronto Stock Exchange (TSX: PAT) on 7 December 2011.

1.3 Geology

The Cap-Oeste property is located in the northwestern part of the Deseado Massif, in Patagonia, southern Argentina. This province is characterized by a sequence of Middle-to-Upper Jurassic volcanic rocks which are partially covered by Cretaceous volcaniclastic sediments, and by later Tertiary to Quaternary flood basalts and fluvial-glacial sedimentary cover. Widespread epithermal mineralization is hosted by the Jurassic rocks, specifically the Chon Aike and La Matilde Formation bimodal volcanic suites.

Precious metal mineralization at Cap-Oeste is spatially related to a curvilinear, west northwest trending structure, termed the Bonanza Fault. The fault dips steeply to the southwest and has been defined by mapping and drilling over a strike length exceeding 4 kilometres. Mapping peripheral to the main zone of mineralization at Cap-Oeste has defined a second, sub-parallel structure 220 meters to the southwest, referred to as the Esperanza Fault. Described as a steeply northeast-dipping zone of faulting and hydrothermal brecciation, the Esperanza Fault has been defined by mapping and drilling over a strike distance of approximately 1,500 meters. The opposing dips of the Bonanaza and Esperanza faults, together with mapped repetitions and displacements of stratigraphy across these structures suggest the presence of a northwest trending graben or half-graben, approximately 220 meters wide at surface.

1.4 Mineralization

Exploration by PGSA at Cap-Oeste is focused principally on discovery and delineation of low sulfidation Au-Ag epithermal deposits of the type well documented throughout the Deseado Massif. Mineralization at Cap-Oeste, however, occurs predominantly as a sulfide +/- silica rich, fault-localized breccia / veinlet body rather than as banded chalcedonic quartz veins, a style more typical for deposits elsewhere in the Deseado Massif. Mineralization lies dominantly within and adjacent to the Bonanza Fault and is not homogeneously distributed, but concentrated in higher grade lenses or shoots. The locations of mineralized shoots are thought to be controlled by the interaction of lithologic and structural controls; in which this interplay between structure and rock type has created a broadly repetitive geometrical pattern in which six shoots are currently recognized.

1.5 Exploration and Drilling

Exploration has focused on establishing a core resource in the area of exposed epithermal mineralization. Sawn channel samples from PGSA trenching adjacent to historic Barrick excavations confirmed the presence of an 8 to 25-meter wide zone of stockworked and crackle-brecciated vitric tuff in the hangingwall of the Bonanza Fault, reporting values of the order of 0.3 to 1.0 parts per million (ppm) Au. The fault zone proper contains limonite-hematite rich milled breccia with up to 11 ppm Au over widths up to 8 meters. Further trenches along strike defined a contiguous northwest trending, 900-meter-long by 5 to 15-meter-wide zone of stockwork veining, faulting, and brecciation with anomalous Au, Ag and trace element geochemistry (As, Sb, Hg). Subsequent geophysical, geochemical, and petrographic studies lent important support to these preliminary results, setting the stage for the follow-up drilling programs.

Exploration conducted between 2007 and April 23, 2012 included surface sampling, trenching, ground geophysical surveys, petrologic studies, and 80,139.33 meters drilling in 395 holes (including abandoned holes). As a result of this work, PGSA has defined a significant Au-Ag epithermal deposit at Cap-Oeste, and has made significant strides in understanding the geologic and structural controls to mineralization. CAM believes significant exploration potential remains at Cap-Oeste and on adjacent exploration prospects controlled by PGSA.

1.6 Sampling

Sampling methods employed in the Cap-Oeste drilling and trenching work were carried out by PGSA personnel to acceptable NI 43-101 standards.

1.7 Assaying and QA/QC

Quality control measures implemented during the trenching and drilling programs included the submission of a series of certified standard and blanks, which were incorporated and dispatched with the drill samples, according to the following protocol:

- Diamond Drilling: alternate insertion of a laboratory-certified laboratory standard or blank for every 10th sample;
- RC Drilling: For every alternate 10th sample, a duplicate sample of the preceding interval was taken as a field duplicate, or a certified laboratory check standard or blank sample was submitted respectively; and
- Trenching: For every alternate 10th sample, a duplicate sample of the preceding interval was taken as a field duplicate, or a certified laboratory check standard or blank sample was submitted respectively.

Two labs were contracted for analysis of the samples: Alex Stewart and Acme Labs, both accredited laboratories compliant to ISO Certified - 9001:2000. Alex Stewart served as the principal lab, and Acme as the check lab for Au fire assay and ICP. CAM are of the opinion that PGSA's sampling approach and QA/QC procedures yielded samples of sufficient reliability to be appropriate for use in Resource estimation.

1.8 Density Measurements

A total of 448 bulk-density (specific gravity) measurements were made for which the resultant densities of the various lithologies, oxidation types, and mineralization types ranged between 1.50 and 3.0 tons per cubic meter. The average specific gravities for the three defined mineralization types are 2.36, 2.51 and 2.55 for oxide, sulfide, and sulfide veinlet respectively. These specified densities by mineralization type were used in the resource estimate.

Further bulk-density measurements are needed to increase the precision of the values for each mineralized type present in the deposit. Additional review of density as a function of depth, particularly for the oxide mineralization type, is suggested.

1.9 Data Verification

CAM verified the database supplied by PGSA, using several electronic and manual methods. The database is suitable for use in mineral resource estimation.

1.10 Mineral Resources

Previous mineral-resource estimates were prepared by CAM in 2008 and by MICON in 2009, and were not filed in Canada because Patagonia Gold was not a public company in Canada at that time. Both estimations were carried out in accordance with NI-43-101 standards. Furthermore, CAM conducted an review and update in November 2011 of the mineral resource estimate made by MICON, which was subsequently filed on SEDAR in Canada on 6 December 2011, coinciding with the listing of Patagonia Gold on the Toronto Stock Exchange (TSX: PAT) on 7 December 2011.

The resource model in this report was prepared using best theoretical geostatistical practices by Geovariances of Australia, with estimation constrained to the three major geological groups (oxide veins sulfide veins, and sulfide veinlets). Overall responsibility for the resource estimate rests with CAM.

Excellent continuity both along strike and down dip is seen in the Cap-Oeste mineralization model. Models were clipped to surface topography, and oxide and sulfide levels were separated by a secondary profile delineating the depth of oxidation.

Resources were classified according to CIM criteria of geological and mineable continuity. While the geostatistical distance criteria used by CAM previously and the theoretical classification criteria proposed by Geovariances are theoretically reasonable, resources were classified based on qualitative review of long sections, which indicated that in the densely drilled area of the deposit geological and grade continuity could be reasonably assumed.

Table 1-1 summarizes the Cap-Oeste Indicated Resource grade and contained precious metal ounces by mineralization zone and cut-off grade. Table 1-2 summarizes the Cap-Oeste Inferred Resource grade and contained precious metal ounces by mineralization zone and cut-off grade. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability. The estimate of Mineral Resources presented in Tables 1-1 and 1-2 may be materially affected by environmental permitting, legal, title, taxation, social-political, marketing, or other relevant issues. The quantity and grade of the Inferred Resource presented in Table 1-2 is conceptual in nature, and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measures Resource. It is also uncertain if further exploration will result in the upgrading of the Inferred Resource to an Indicated or Measured Resource.

Table 1-1
NI 43-101 Resource Statement
Total INDICATED Resource Undiluted Cap-Oeste Project

Mineralized Zone	Cut-Off AuEq (g/t)	Tonnes (000)	Grade		Contained Metal (Ounces 000)		
			Au (g/t)	Ag (g/t)	Ag	Ag	AuEq
Oxide	0.3*	2,355	1.66	62.8	126	4,755	215
Oxide	1.0	1,152	2.74	88.7	101	3,285	163
Oxide	3.0	268	6.17	139.3	53	1,200	76
Sulfide	0.3	4,625	3.72	127.0	553	18,885	906
Sulfide	1.0*	4,556	3.77	128.2	552	18,779	902
Sulfide	3.0	2,429	5.15	165.3	402	12,909	644
VN Sulfide	0.3	810	2.10	44.6	55	1,161	76
VN Sulfide	1.0*	701	2.31	49.4	52	1,113	73
VN Sulfide	3.0	144	4.15	71.8	19	332	25

(1) * Preferred cut-off grade by zone is highlighted.
(2) Gold equivalent (AuEq) values are calculated at a ratio of 53.5:1, Ag:Au.
(3) Averages and totals may not reconcile due to rounding.

Table 1-2
NI 43-101 Resource Statement
Total INFERRED Resource Undiluted Cap-Oeste Project

Mineralized Zone	Cut-Off AuEq (g/t)	Tonnes (000)	Grade		Contained Metal (Ounces 000)		
			Au (g/t)	Ag (g/t)	Ag	Ag	AuEq
Oxide	0.3*	1,150	1.06	21.5	39	795	54
Oxide	1.0	397	1.61	26.4	21	337	27
Oxide	3.0	14	3.71	29.5	2	13	2
Sulfide	0.3	1,212	1.96	82.2	76	3,203	136
Sulfide	1.0*	1,002	2.23	66.7	72	2,149	112
Sulfide	3.0	225	3.40	42.1	25	305	30
VN Sulfide	0.3	7	1.22	12.8	0	3	0
VN Sulfide	1.0*	7	1.26	13.4	0	3	0
VN Sulfide	3.0	0	0.00	0.0	0	0	0

(1) * Preferred cut-off grade by zone is highlighted.
(2) Gold equivalent (AuEq) values are calculated at a ratio of 53.3:1, Ag:Au.
(3) Averages and totals may not reconcile due to rounding.

PGSA and CAM have verified the results presented in Table 1-1 and Table 1-2 by running independent resource estimates within GEMCOM and MicroModel respectively. On the basis of the review of the methodology, visual review of the model, and independent checks, CAM believes the model has been prepared according to accepted engineering practice and is suitable for initial reserve calculations.

1.11 Interpretations and Conclusions

Cap-Oeste definitely merits further exploration for additional gold-silver mineralization in an epithermal setting.

Substantial exploration has been completed on the Cap-Oeste project since completion of the CAM report in 2011. This has included:

- Sufficient in-fill drilling in the resource area to increase drill intercept density to a nominal 25 meter centers;
- Exploration drilling along strike and down dip of known mineralization;
- Additional metallurgical and mineralogical studies and specific gravity determinations; and
- Sufficient additional geological information to warrant further exploration for additional gold-silver mineralization in an epithermal setting along the Cap-Oeste structural corridor.

Review of the expanded database suggests that the previous geologic model for mineralization is substantially correct, but that a new resource can be calculated with a higher component of indicated as opposed to inferred resources.

CAM is of the opinion that this work meets or exceeds best industry practice, and that the resulting exploration database is suitable for use in mineral resource estimation.

1.12 Recommendations

1. Drilling should continue along the broad zones of sheeted to stockwork style mineralization towards where the Bonanza and Esperanza faults converge, as this presents a potential high grade, bulk-tonnage style target, especially where intersected by plunging ore shoots.
2. Additional drilling should be undertaken to prove the geometry and continuity of high grade mineralization currently designated as pertaining to Shoot F.
3. PGSA should proceed to generate a new mineral resource for the Cap-Oeste project, when the data at hand warrants.
4. The Work Program in Table 1-3 is recommended in order to advance the project. Phase II is dependent on success in Phase I.

Table 1-3
Proposed Work Program, Cap-Oeste Project

Item	Basis	Unit Cost, US$	Total Cost, US$	Time Period
Phase 3 and Phase 4, 2012				
Infill & Exploration drilling	116 holes @ 350m = 40,600 m	$ 300/m	$12,180,000	Q1-Q4, 2012
Other Drillholes (geotech, RQD, water, etc	12 holes @ 300 m= 1,500 m	$ 300/m	$1,080,000	Q1-Q4, 2012
Water Bores	5 holes @ 50m = 250m	$ 460/m	$115,000	Q3, 2012
Camp, Geology, Assays	8120m	$ 40/m	$324,800	Q1-Q4, 2012
Geostatistics/Reporting	43-101 Updates Geastats	$80k/month	$240,000	Q2-Q4 2012
Project Overhead,	B.A. office, 12months	$ 30,000/month	$360,000	Q1-Q4, 2012
SUBTOTAL, Phases 3&4			$ 14,299,800	
Phase 5 (studies & test work) 2012, 2013				
Metallurgical tests (Australia-Canada)	estimate	$250,000	$50,000	Q3-Q4, 2012
Pre-Feasibility Study	estimate	$1,200,000	$1,200,000	Q4, 2012-Q3 2013
SUBTOTAL, Phase 5			$1,250,000	
TOTAL, PHASES 3,4 &5			$15,549,800	

2.0 INTRODUCTION

This report was prepared by Chlumsky, Armbrust and Meyer, L.L.C. (CAM) for Patagonia Gold S.A. (PGSA), to define a gold and silver resource at the Cap-Oeste Project, Santa Cruz province, Argentina, which complies with Canada National Instrument 43-101 (NI 43-101). PGSA is a 100% owned subsidiary of Patagonia Gold Plc which is listed on both the London AIM (PGD) and Toronto (PAT) stock exchanges. Data contained in this report is sourced from original work conducted by PGSA and unpublished data from former owners and explorers (Barrick and Homestake). The report includes data and analysis from contractors, consultants and certified laboratories. The authors' direct knowledge of the property is based on a site visits conducted by Craig Bow and Robert Sandefur in April of 2008, and November of 2010, and most recently by Craig Bow on August 16th and 17th of 2011. During these time periods, the undersigned examined outcrops and the locations of drill holes and surface samples, observed drilling and sampling of DDH and RC pre-collars, observed logging and sampling procedures, and reviewed the Project with PGSA staff.

The effective date of the mineral resource estimate is 23 April 2012, the date of receipt of assays for drillhole CO-352-D.

2.1 Qualified Persons

Craig Bow, Ph.D. Geology, and Robert Sandefur, P.E., both Qualified Persons as defined by NI 43-101, prepared this report, with input by other individuals as listed in Section 3.0. Dr. Bow is responsible for Sections 1 to 13, 15, 16, and 18 to 24 of this report. Mr. Sandefur is responsible for report Sections 14 and 17.

2.2 Conventions

All references to dollars ($) in this report are in US dollars unless otherwise noted. Distances, areas, volumes, and masses are expressed in the metric system unless indicated otherwise.

For the purpose of this report, all common measurements are given in metric units. All tonnages shown are in metric tonnes of 1,000 kilograms, and precious metal values are given in grams or grams per metric tonne. To convert to English units, the following factors should be used:

- 1 short ton = 0.907 metric tonne (MT);
- 1 troy ounce = 31.103 grams (g);
- 1 troy ounce/short ton = 34.286 g/MT;
- 1 foot = 30.48 centimeters = 0.3048 meters;
- 1 mile = 1.61 kilometer; and
- 1 acre = 0.405 hectare.

The following is a list of abbreviations used in this report:

Abbreviation	Unit or Term
AA	atomic absorption
Ag	silver
ARD	acid rock drainage
AR$	Argentinean peso
Au	gold
CAM	Chlumsky, Armbrust and Meyer, L.L.C.
CIC	carbon in column
C-I-L	carbon in leach
°C	degrees Celsius
Cu	copper
EIA	Environmental Impact Assessment
gm or g	gram
g/t or gpt	grams per tonne
g/cc	grams per cubic centimetre
GPS	global positioning system
ha	hectare
HCl	hydrochloric acid
IP	induced polarization (geophysical survey)
ICP-ES	Inductively Coupled Plasma-Atomic Emission Spectrometer
ISO	International Organization for Standardization
kg	kilogram
km	kilometre
kT	1,000 tonnes
lb	pound
m	metre
M	million
Ma	million years before present
NGO	Non-governmental Organization
NI 43-101 or 43-101	Canadian Securities Administrators' National Instrument 43-101
ounce or oz	troy ounce
PGD	Patagonia Gold Plc
PGSA	Patagonia Gold S.A.
ppb	parts per billion
ppm	parts per million
Project	Cap-Oeste Project
QA	quality assurance
QC	quality control
RC	reverse circulation
RFP	Request for Proposal
RQD	rock quality designation
Std. Dev.	standard deviation
t or tonne	metric ton
TSF	tailings storage facility
UG	underground
US$	United States dollars
y or yr	year

3.0 RELIANCE ON OTHER EXPERTS

Additional individuals beside the undersigned provided data for this report. These included PGSA geologists Alejandra Jindra and Damien Koerber. Others include Matthew Boyes, PGSA Chief Operating Officer manager, and Oliver Bertoni, Geostatician, Geovariance.

4.0 PROPERTY DESCRIPTION AND LOCATION

4.1 Location

The Cap-Oeste Project area is located in the central portion of Santa Cruz province, in the Department of Rio Chico, southern Argentina as displayed in Figure 4-1, provided by PGSA. The core resource area is situated within the ‘El Tranquilo I’ MD claim, within the El Tranquilo block of exploration properties, approximately 65 kilometres southeast of the small township of Bajo Caracoles.

The closest cities to the Project site by road are Perito Moreno (208 kilometres northwest of the Project) and Gobernador Gregores (190 kilometres south of the Project). The Project is accessed via the partially-sealed National Highway 40 heading south for approximately 166 kilometres from Perito Moreno, passing via the township of Bajo Caracoles to a junction titled “Cinco Buzones.” This highway infrastructure is currently being upgraded to an all bitumen double lane highway. A secondary improved gravel road is then followed east for approximately 42 kilometres to the Project site, approximately five kilometres to the northwest of the Estancia La Bajada.

The Estancia La Bajada comprises a main farmhouse and several outbuildings which provide space for an exploration base camp, including logging, core cutting, sample preparation, and core storage facilities.

Infrastructure improvements to the property include a graded single track road and several secondary side access tracks to drilling platform areas. There are no mineral reserves, historic mine workings, tailings, tailings ponds, or waste stockpiles in the Project area.

The Cap-Oeste Project area sits within an area which was territorially zoned as a ¨Area of Special Mining Interest” (AEMI) by the Santa Cruz Provincial government which was established in 2009 as shown in Figure 4-2, provided by PGSA. Throughout the AEMI the Santa Cruz Province actively supports and encourages exploration and mining.

Figure 4-1
Project Location
(Source: PGSA, 2010)

Figure 4-2
Area of Special Mining Interest
(Source: PGSA, 2010)

4.2 Mineral Tenure and Title

4.2.1 Cap-Oeste Project-Patagonia Gold S.A. - Exploration Claims

As a brief summary of the Argentine Mining code, precious metals are owned by the Argentine government, for which tenure can be granted as:

- Cateo (exploration lease): is an area of land giving exclusive exploration rights throughout areas between 500 to 10,000 hectares. The duration of the claim tenure is proportional to its size whereby for the minimum size of 500 hectares is 150 days, and for each additional 500 hectares the duration is extended an additional 50 days, up to a maximum duration of 1,100 days. The holder of a cateo has exclusive rights to establish a Manifestation of Discovery ("MD") before the expiry of the respective cateo.

- Manifestación de Descubrimiento or MD (Register of significant discovery prior to establishing a Mining Lease): which can be either presented so as to replace an existing cateo, or directly on any vacant land, as either a vein or disseminated discovery. An MD grants the applicant exclusive rights for an indefinite period, during which a report must be presented annually which details exploration work and investments for the area. A MD can later be upgraded to a Mina (mining claim), which gives the holder the right to begin commercial extraction of minerals.
- Mina (Mining Lease): defined as 1st category for the exploitation of precious metals: Mining exploitation claims comprise of individual surveyed areas denominated as 'pertenencias' for which the life duration of the claim continues indefinitely pending payment of annual mining fees.

The Cap-Oeste Project is located within the 'El Tranquilo I' MD claim, which is one of seventeen contiguous tenements comprising the El Tranquilo block of properties totaling 79,620 hectares. The 'El Tranquilo I' MD claim is 100 percent controlled by Patagonia Gold plc through its subsidiaries Patagonia Gold S.A. and Minera Minamalu S.A. for the purpose of future exploration and potential mining development.

The 'El Tranquilo I' MD claim (government file 403.094/PATAGONIA/07) was staked in September 2007 over a pre-existing cateo claim block titled 'El Tranquilo' (government file 404.195/MR/02), and a subsidiary portion originally covered by the La Apaciguada MD (government file 405.473/MR/05). The application for the conversion of this claim to a Mining Lease (Mina) was presented to the Santa Cruz Province Mining secretary and is in the process of being granted.

In accordance with the Argentine mining code, all of the exploration properties are spatially registered in the Gauss Kruger Projection and Campo Inchauspe datum system in the corresponding longitudinal belt defined between 68°-70° West (Faja 2). The location of the Cap-Oeste Project area with respect to the 'El Tranquilo I' MD claim is displayed in Figure 4-3, provided by PGSA. The coordinates for the vertices of each property are provided in Table 4-1.

Table 4-1
El Tranquilo Block of Exploration Properties

Name	Property Type	Property File No.	Area (hectares)	Tenure
La Marcelina	Cateo	412.792/B/04	6,479.00	PG S.A
Venus	MD	402.092/PG/05	2,735.00	PG S.A
La Bajada	MD	404.562/PG/05	3,498.00	PG S.A
La Bajada I	MD	425.611/PG/10	1,486.00	PG S.A
La Apaciguada	MD	405.473/PG/05	3,461.00	PG S.A
Monte Puma	MD	406.881/PG/06	1,993.00	PG S.A
Monte Tigre	MD	406.882/PG/06	1,994.00	PG S.A
Marte	MD	409.148/PG/06	1,537.00	PG S.A
Enriqueta	MD	412.519/PG/06	740.7	PG S.A
Maria	MD	412.520/PG/06	2,492.00	PG S.A
La Mansa	MD	413.543/PG/06	1,731.00	PG S.A
Monte Leon	MD	415.664/MR/07	1,981.00	PG S.A
El Tranquilo I	MD	403.094/PG/07	3,724.00	PG S.A
La Cañada I	MD	403.985/PG/07	2,786.00	PG S.A
Las Casuarinas	Cateo	424.914/PG/09	3,626.00	Minera Minamalú S.A.
El Mangrullo	Cateo	424.915/PG/09	4,275.00	Minera Minamalú S.A.
El Aljibe	Cateo	424.916/PG/09	6,683.00	Minera Minamalú S.A.
La Cañada II	MD	427.259/PG/09	1,938.00	PG S.A
Cerro Leon I	MD	423.845/PG/09	3,955.00	PG S.A
La Cañada III	MD	421.630/PG/10	2,752.00	Minera Minamalú S.A.
Nueva España II	Cateo	422.216/PG/10	4,447.00	Minera Minamalú S.A.
Nueva España I	Cateo	422.217/PG/10	9,955.00	Minera Minamalú S.A.
Don Francisco	Cateo	423.465/PG/10	1,816.00	Minera Minamalú S.A.
Nuevo	Cateo	423.670/PG/10	3,473.00	Minera Minamalú S.A.

The claim titles are all current and renewed annually by application. The renewal is contingent on continued exploration work on the claim within each year. All the MD's are within the legal period prior to which Patagonia Gold plc, through its subsidiaries Patagonia Gold S.A. and Minera Minamalu S.A, has to survey individual concessions (pertenencias) so as to eventually constitute a mining lease or 'Mina'.

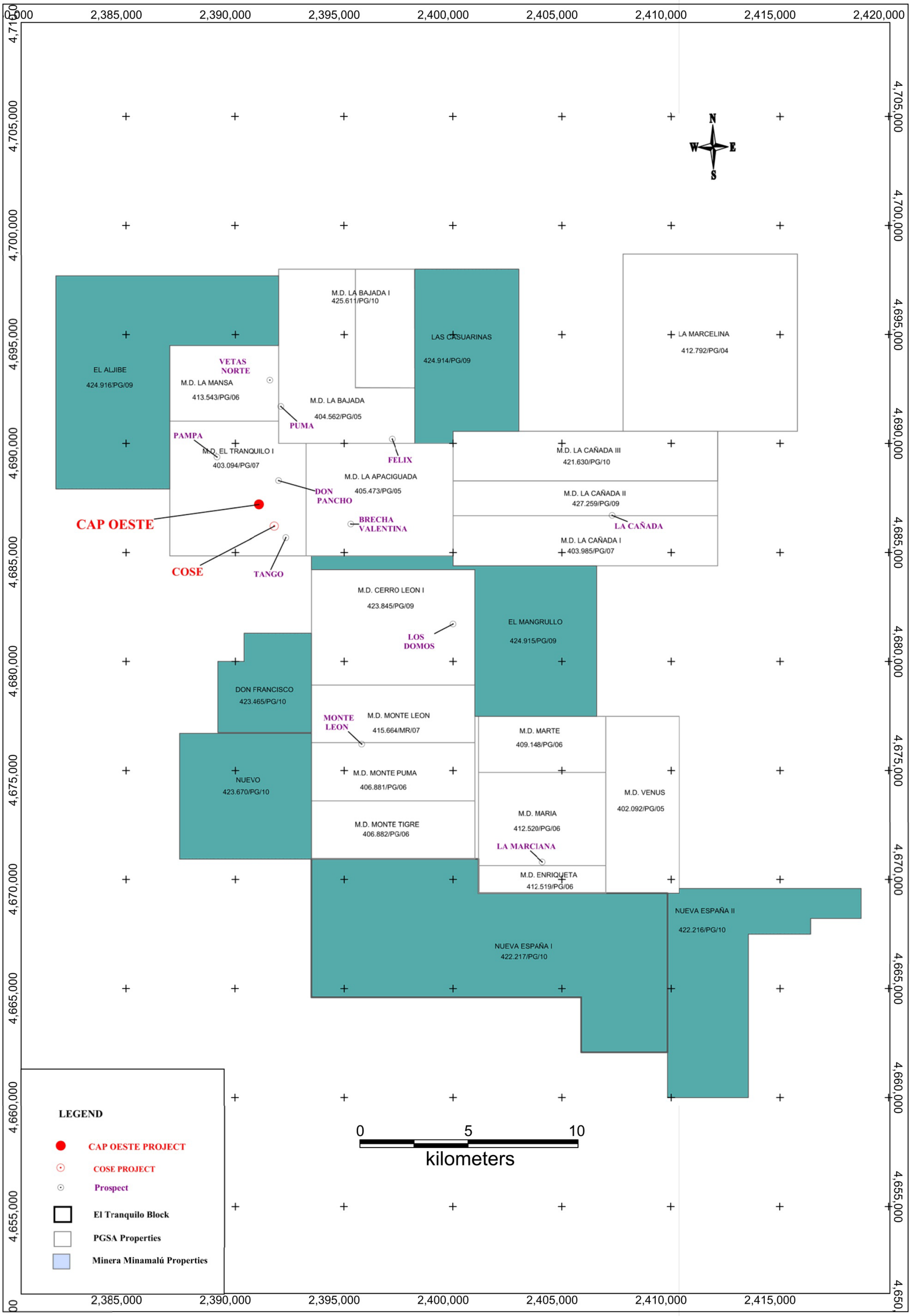


Figure 4-3
Location of the Cap-Oeste Project Area
in Relation to the COSE Project and the El Tranquilo I MD Claim

The Cap-Oeste Project, as defined here, excludes the COSE project, which contains a small, very high-grade mineralized body (CAM, 2011) for which mining by PGSA is scheduled to begin in early 2012. The excluded area, containing the COSE project, is in a 250 m by 250 m square with lower left corner at northing 4,686,600.00, easting 2,391,400.00, and rotated counter-clockwise 40 degrees about this lower left corner. Mineralized areas outside of this rotated square are in the Cap-Oeste project (this report). COSE is the subject of a separate NI 43-101-format Technical Report completed by CAM which was submitted to Patagonia Gold in September, 2011. The COSE report was filed on SEDAR in Canada on 6 December 2011 following listing of Patagonia Gold on the Toronto Stock Exchange (TSX: PAT) on 7 December 2012.

Surface Access Rights and Obligations

The Cap-Oeste project is situated completely within the farms named ‘La Bajada’ and ‘El Tranquilo’, which are owned by Patagonia Gold plc’s subsidiary Minera Minamalu S.A. subsequent to their purchase in December 2008 and January 2012 respectively.

Mineral Property Encumbrances

Some of the properties of the El Tranquilo Block, including the El Tranquilo property, were acquired as part of a Purchase Agreement signed in February, 2007 between PGSA and the Argentinian subsidiaries of Barrick, Minera Rodeo S.A. and Barrick Exploraciones Argentina S.A.

As an integral part of both Barrick’s and PGSA’s due diligence it was verified that there were no other mineral property encumbrances over the Project or block of properties, except those agreed on the terms and conditions of this Purchase Agreement include the following.

PGSA approved a US$10,000,000 commitment of exploration expenditures within a period of five years, of which US$1,500,000 will be invested during the first 18 months. PGSA notified Barrick´s subsidiaries advising that the investment commitments of US$1,500,000 and US$10,000,000 were exceeded as of December 31, 2007 and December 31, 2008, respectively. There were no other remaining investment commitments.

PGSA was required to provide an annual year-end resource estimation statement completed by an independent qualified person and the provision of the data used for the generation of such statements. PGSA delivered to Barrick the previous NI 43-101 Resource Technical Reports prepared by CAM and by MICON to Barrick.

Barrick’s Argentine subsidiaries retained a right to ‘back-in’ up to 70% for any individual property group included in the Purchase Agreement upon written notice, within 90 days upon completion of a NI 43-101 compliant delineation of a two million ounce gold or gold equivalent Indicated Resource, within the respective property group on a forward looking basis which does not include any resources or reserves produced or undergoing development.

On March 2011 PGSA signed with Barrick´s subsidiaries an Amendment to the original Purchase Agreement, eliminating the ‘Back in Right’ clause in exchange for a 2.5% Net Smelter Return (NSR) Production Royalty. The requirement to provide annual year-end mineral resource statements no longer exists.

“NSR” or “NET SMELTER RETURN” shall mean the net income or profit actually collected from any source, smelting plant, refinery or the sale of mineral products obtained from the Mining Properties (hereinafter, the “Mineral Products”) after having deducted the following expenses from the gross income or profit:

- smelting and refining expenses (handling, processing, supplies and sampling expenses, costs of smelter assays and umpire assays, representatives’ and arbitrators’ fees, fines, wastage and any other expense or loss related to the smelter and/or refining process);
- transportation costs (loading, freight, unloading, handling at port, stowage, demurrage at ports, delays, customs expenses, transaction, handling, haulage and insurance) of ore, metals or concentrates of the products obtained from the place where the Properties are located to any source, smelting plant, refinery or point of sale;
- commercialization costs;
- cost of insurance covering Mineral Products, and customs duties, compensations, state royalties, ad valorem taxes and taxes in general, either levied on production or sale of the minerals or the like, taxes on the use of natural resources existing at the time this Agreement becomes effective or created in the future, export or import taxes or duties on the Mineral Products payable to national, provincial or municipal governmental agencies; and
- royalties payable to any national, provincial or municipal governmental agency or entity.

The following mining properties included in the El Tranquilo block were granted directly to PGSA, either previous to or subsequent to the signing of the Purchase Agreement with Barrick, and, therefore, are not subject to its terms and conditions or the payment of the Net Smelter Return (NSR) Production Royalty to Barrick.

La Bajada	404.562/PATAGONIA/05
Las Casuarinas	424.914/PG/09
El Mangrullo	424.914/PG/09

El Aljibe	424.914/PG/09
Nueva España I	422.217/PG/10
Nueva España II	422.216/PG/10
Don Francisco	423.465/PG/10
Nuevo	423.670/PG/10

Environmental Liabilities

No previous mining activity has been conducted on the El Tranquilo block. All the exploration works at El Tranquilo Block have been carried out as per the pertaining biannual Environmental Impact Assessments approved by the relevant provincial mining authorities. To the best of our knowledge, the property is not subject to any environmental liabilities related to exploration or mining activities.

Permits

Work at the Cap-Oeste project has been conducted in accordance with the legal requirement for an approved biannual Environmental Impact Assessment (EIA) for the El Tranquilo Project block, for which the pre-existing one was renewed and subsequently approved and granted by the State Secretariat of Mining of the province of Santa Cruz on 4 November 2010, with an effective duration of two years.

The approved EIA included a provision for 400,000 meters of drilling on the Cap-Oeste deposit and other prospects within the El Tranquilo block and the development of a decline access at COSE for underground drilling and bulk sampling for metallurgical test works.

PGSA has been collecting meteorological data through its Meteorological Station, and conducting quarterly baseline water sampling throughout the project area since May, 2007, and have been producing independent reports prepared by a private consultant (BEHA). Results of these studies were included in the most recent EIA for the project and submitted to the appropriate authorities.

PGSA has obtained the relevant permits for the use of water during the drilling campaigns, issued by the pertinent government water resources authority of the Santa Cruz Province (Recursos Hídricos), subsequent to the approval by the corresponding surface owners. No other permits are required for the continuation of exploration and/or definition drilling within the property block.

A Community Relationship Plan has been implemented since 2008 through the Community Relationship Department of the Company together with the external consultancy of Empoderar RSE.

On 25 April 2012 the Environmental Impact Study relating to the development of the COSE underground access ramp and construction of a gold room within the ‘El Tranquilo 1’ MD claim, the latter which will produce dore from its nearby operating Lomada Mine, was presented to the Santa Cruz Provincial Mining Secretary, for which approval was given on 10th May 2012.

Since March 2011 the Company has retained Ausenco Vector to commence the Baseline Studies, with the objective of establishing the pre-development environmental and social characteristics of the project and its surrounds, and to prepare an Environmental Impact Assessment for the mining of the COSE deposit.

The Baseline Studies and the Environmental Impact Study will detail the Project’s area environmental aspects analyzed, including:

- Physical aspect: Geology, Geomorphology, Seismology, Soils, Hydrology, Water Quality (Surface and Groundwater), Air Quality, Acid Rock Drainage, Climate and Hydrogeology among others.
- Biological aspect: Ecosystem Characterization, Flora, Fauna, and Limnology.
- Socio-economic aspect: Archaeology and Paleontology, Landscape, Traffic, Legal and Socio-economic Study.
- Project aspects: Description of the development plan, evaluation of the impacts, description of the environmental management and contingency plans including management of waste and water, and mine closure and post mining monitoring.

The Environmental Impact Study for the development and mining of the COSE deposit is expected to be finalized and presented to the Santa Cruz Provincial Mining Secretary for approval during the 3rd quarter 2012.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTR, & PHYSIOGRAPHY

5.1 Climate, Topography, and Vegetation

The Patagonian region of southern South America is characterized by arid, windy and generally treeless expanses of rolling hills, interspersed with isolated plateaus which rise to elevations of 250 to 1,000 meters above sea level (m.a.s.l). Field work is generally feasible from September to June while mid-winter (June-August) is typically a recess period. In the absence of excessive snow and rain, exploration occasionally continues into this period due to frozen ground conditions which permit access over otherwise wet areas.

The closest meteorological information available is sourced from the cities of Perito Moreno and Gobernador Gregores, which are located at similar elevations to the Project area at straight line distances of 160 and 90 kilometres respectively. In order to commence baseline environmental studies within the Project area a Davis Model Vantage Pro2 wireless weather station was installed by PGSA on 3 November 2008 within 500m of the Cap-Oeste Project area. This equipment records a comprehensive array of meteorological data each minute which is subsequently downloaded by PGSA once per month.

Based on meteorological information sourced from the cities of Perito Moreno and Gobernador Gregores the average annual rainfall at the Project area is estimated to be 300 millimeters (mm), the majority of which falls in the period June-September. Snow frequently accumulates on site between June and August, and infrequent snowfall events can deliver up to 100 mm, based on limited historic data. Annual potential evaporation is estimated at between 750 and 1,250 mm. Temperatures at the Project area are characteristic of the central plateau of the Santa Cruz, with short warm summers, and winters with temperatures commonly below 0 degrees Celsius. Based on regional data, the annual average temperature is approximately 8.9 degrees Celsius. Average monthly temperatures above 10 degrees Celsius generally occur between November and March, whereas temperatures below five degrees Celsius generally occur from June through August. Strong winds (greater than 40 kilometres per hour) occur year round but typically are strongest during the spring and summer. The dry, windy climate accentuates the aridity of the region by generating an extremely high rate of evaporation and constitutes a strong natural erosive mechanism for the sparse vegetation cover.

The southeastern portion of the Cap-Oeste Project area is characterized by a predominant northwest-southeast aligned pattern of undulating hills between elevations of 350 and 500 m.a.s.l. In the northwestern portion of the Project area, topography is generally low and flat. Vegetation constitutes approximately 50 percent of the ground cover and is characterized by grass and bushes; the former typically include the varieties Stipa sp, Poa sp and Festuca sp which are locally called "coiron."

Subordinate plant species include Neneo (Mulinum sp), Adesmia (Adesmia sp), Calafate (Berberis sp), Senecio (Senecio sp), Zampa (Atriplex sp), and Mata Negra (Verbena sp).

Despite the general scarcity of surface water throughout the area, several significant fresh water springs (each producing more than 4 liters per second) occur in a northwest trending, geologically controlled corridor extending from within the northwestern portion of the Project area to at least approximately 2km further to the northwest. Water supplies for drilling and exploration camp amenities are obtained from these aforementioned local springs and water courses with permission of the surface owners and respective provincial authorities.

5.2 Access and Infrastructure

As described in section 4.1, the Project area is accessed from the capital city of Buenos Aires by commercial air service and a network of improved highways. The Ruta 40 highway infrastructure throughout the province of Santa Cruz is currently being upgraded to an all bitumen double lane highway along its entirety as part of a major public infrastructure works program. This project is scheduled to be completed by the end of 2012.

It should be noted that, on rare occasions (perhaps once per decade) access to the property is affected by falls of volcanic ash emanating from volcanos in the Chilean Andes to the west. Such events may hamper access for periods of days to weeks. The last such major occurrences were from Mt. Puyehue in volcano in mid-2011 for 10 weeks and from Mt Hudson volcano in 1991, lasting for 12 weeks.

Within each individual regional population centre, including Perito Moreno and Bajo Caracoles, electrical power is supplied via local diesel generators. Within the Project area, electrical power is supplied through company owned or leased generators. The nearby towns generally source local groundwater supplies to meet their needs.

The closest fixed line telephone to the area is situated in Bajo Caracoles (65 kilometres from the Project) and since there is no mobile network coverage throughout the Project area, communication from the exploration camp at Estancia La Bajada is via satellite phones and satellite-based, broadband internet.

There is sufficient availability of surface rights and access as described in Section 4.2.1 to facilitate construction of mining related infrastructure including: Processing; Leaching; Tailings; and Waste Stockpiles facilities within the proposed Project Area if warranted.

5.3 Environmental and Social Responsibility

As described in Section 4, exploration has been conducted in accordance with an approved Environmental Impact Assessment (EIA). The Santa Cruz Provincial Mining Directorate's agents together with representatives from the local communities have inspected PGSA's exploration activities, specifically during drilling, and have reportedly expressed satisfaction as to the manner in which the company has carried out operations.

Although once a large wool and mutton producing region, the area encompassing the Project is currently uninhabited, destocked, and unproductive as a result of overgrazing, gradual desertification, and severe loss of productivity following the eruption of the Hudson Volcano in Chile in 1991. To the extent practical, PGSA utilizes local communities to source food, accommodation, fuel, minor vehicle repairs and field labor. More specialized goods and services must be obtained in Caleta Olivia (Santa Cruz), Comodoro Rivadavia (Chubut) and Buenos Aires. The local workforce comprises mainly unskilled workers who receive safety, environmental and exploration methodology training. Senior project management and engineering positions are generally filled by professionals from outside the local communities.

Patagonia Gold S.A. has contracted Empoderar RSE as consultant for community relations throughout the Santa Cruz Province. Under their auspices, public relation meetings have been conducted which involve open-forum discussions focused on industry best practice policies and social responsibility.

6.0 HISTORY

6.1 Early History

No historic mineral production is known to have occurred within or in close proximity to the Cap-Oeste Project. The earliest modern exploration in the area was reportedly carried out during the mid-1990's by Western Mining Corporation and Homestake Mining, who initially targeted the area using Landsat imagery. Interpretation of the imagery highlighted the presence of regional-scale, northwest trending lineaments and large zones of coincident clay alteration which served to focus the reconnaissance mapping and sampling. This work led to the staking of exploration claims by the Homestake Mining subsidiary Minera Patagonica S.A., which were held until July 2002. Subsequent to the merger between Barrick Gold and Homestake Mining, the ground was again staked as the El Tranquilo Project by Barrick Gold's subsidiary Minera Rodeo S.A.

PGSA staked the cateo 'La Bajada' in 2005 and the exploration claims 'Casuarina', 'El Aljibe' and 'El Mangrullo' in 2009 and Nueva España I, Nueva España II, Don Fransisco and Nuevo in 2010. None of these properties are subject to the terms and conditions of the Purchase Agreement signed in 2007 with Barrick.

6.2 Homestake-Barrick Exploration

Exploration of the El Tranquilo Property Block by Barrick Gold spanned the period May 2002 to May 2006, at which time the decision was made to divest the project areas. The combined Homestake-Barrick exploration programs conducted throughout the El Tranquilo property block during this period included:

- Target generation incorporating information from the Homestake Mining geochemical database, supplemented by ASTER and Landsat Band Ratio image analysis;
- Regional scale geological and structural mapping (1:25,000 to 1:100,000) and TM based alteration mapping at 1:50,000;
- Geochemical sampling including 334 lag samples, 569 regional rock chip samples and 469 sawn channel samples taken from 11 trenches (1694 meters);
- Pole-Dipole Induced Polarization and resistivity surveying along 8 lines spaced 150 to 300 meters apart, totaling 27 line kilometres;
- Regional spaced ground magnetic surveying along 16 lines spaced 100 meters apart, totaling 35.2 line kilometres; and
- Petrographic studies.

As a result of this program of work, several significant Au-Ag targets were defined along a series of sub-parallel, northwest trending structural lineaments which proved to contain the Cap-Oeste (originally referred to by Barrick as the Zona Central), Breccia Valentina, and Vetas Norte prospects. With the assistance of external consultants, conceptual genetic models were developed for the various styles of low sulfidation precious metal mineralization identified in order to help guide subsequent exploration.

As follow-up at Cap-Oeste, Barrick took a total of 144 lag samples covering a 600 meter long, northwest trending zone of poorly exposed hydrothermal breccia, silica/hematite flooding, and sheeted, limonitic quartz veining. This sampling returned weakly anomalous Au, As and Hg values over an approximate 300-meter wide by 800-meter long area. Barrick tested this anomaly with three trenches (TR 4 –TR 6) totaling 420 meters, which were excavated perpendicular to the exposed mineralization over a strike length of 270 meters. Significant values were returned from two of these trenches, approximately 145 meters apart:

- Trench TR-4: 38 m @ 1.0 ppm Au (using 0.25 ppm Au cutoff) including
  7.5 m @ 1.88 ppm Au, and 33 ppm Ag (using 1.5 ppm Au cutoff)
- Trench TR-5: 14.8m @ 0.55 ppm Au (using 0.25 ppm Au cutoff) including
  2 m @ 1.05 ppm Au (using 1.0 ppm Au cutoff)

The mineralization was spatially coincident with a prominent chargeability and resistivity anomaly highlighted by the one Pole-Dipole Induced polarization (IP) and resistivity survey line that transected the zone.

In summary, the Homestake-Barrick exploration program defined a 10 km by 25 km, northwest-trending, epithermal district hosting extensive zones containing anomalous precious and trace element metal contents, hydrothermal alteration, and coincident chargeability/resistivity targets. Within this area, at least three main corridors have been broadly delineated, namely the Cap-Oeste, Breccia Valentina, and Vetas Norte Corridors, as shown in Figure 6-1, provided by PGSA, 2011.

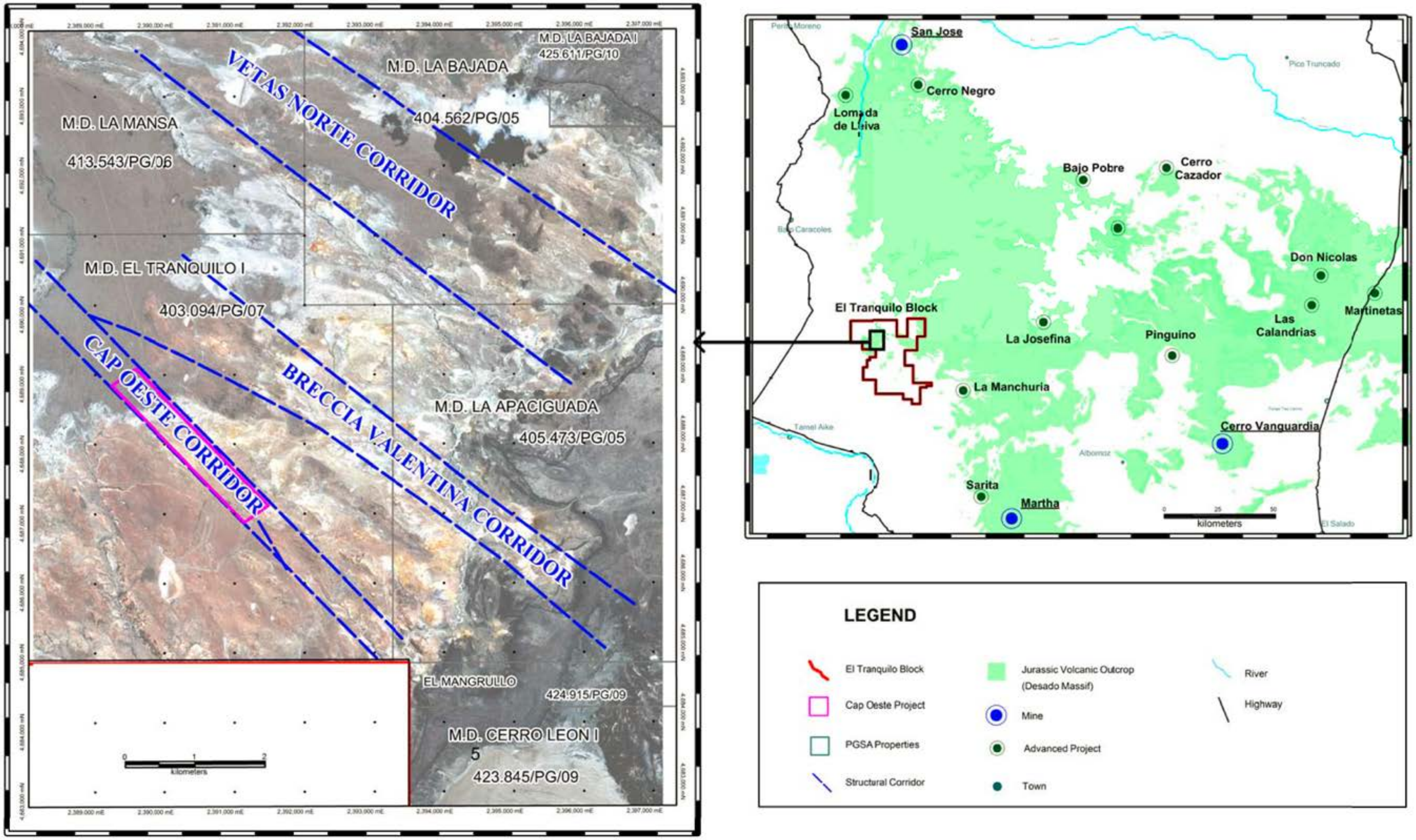


Figure 6-1
Regional Structural Corridors – El Tranquilo Property

6.3 Patagonia Gold Program

PGSA visited the project and began negotiations for the purchase of the properties in September 2006. Subsequent to the Purchase Agreement reached on February 5, 2007, exploration activities commenced including gridding, surveying, trenching, and drilling programs which are detailed further in Sections 9 through 12 of this Technical Report.

As part of its exploration activities on the El Tranquilo land holdings in 2008, PGSA commissioned an initial mineral resource estimate by CAM of the mineralization that had been delineated at the Cap-Oeste deposit at that time. The results of the mineral resource estimate have been presented in CAM (2008), and are summarized in Table 6-1. The CAM report was not filed in Canada, as Patagonia Gold was not listed in Canada at that time; however, a summary of it (at a uniform 0.3 g/t cutoff) is available on Patagonia Gold's website (see References).

Table 6-1
Cap-Oeste 2008 Resource estimate (CAM, 2008)

Classification	Gold Cutoff Grade (g/t)	Tonnes	Gold Grade (g/t Au)	Contained Gold (oz)	Silver Grade (g/t Ag)	Contained Silver (oz)
Total, Indicated	0.30	3,228,222	1.44	149,842	35.15	3,647,751
Total, Inferred	0.30	3,384,347	1.42	154,257	30.16	3,282,074

(1) Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
(2) The quantity and grade of reported Inferred Resources in this estimate are conceptual in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in the upgrading of the inferred Resources into an Indicated or Measured Mineral Resource category.
(3) The quantity and grade of reported Inferred Resources in this estimation are conceptual in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in the upgrading of the Inferred Resource into an Indicated or Measured Mineral Resource category.

The above 2008 CAM Resource estimate was conducted using many of the same key assumptions, parameters, methods, and categories as were used for the current Resource estimate contained in this report; however, the historic estimate is only relevant for the purpose of making approximate order-of-magnitude comparisons to the current estimation. CAM is not classifying the above 2008 historical estimate as a current mineral Resource estimate; and PGSA is not treating the above 2008 CAM historical estimate as a current mineral Resource estimate.

Following the 2009 exploration season, PGSA elected to commission a second resource estimate to include the expanded drill database by MICON International (2009) results for which are summarized below in Table 6-2. The MICON report was not filed in Canada because Patagonia Gold was not a listed company in Canada at that time, but it is available in its entirely on Patagonia Gold's website (see References).

Table 6-2
Cap-Oeste 2009 Resource Estimate (MICON, 2009)

Category	Tonnes	Au (g/t) capped, OK	Oz Au capped	Ag (g/t) capped, OK	Oz Ag capped
Indicated	5,629,645	1.89	342,120	65.04	11,773,380
Inferred	1,053,990	1.35	45,750	41.34	1,401,030

1. OK refers to Ordinary Kriging
2. Contained ounces rounded to nearest 10 oz
3. The average density of 2.39 t/m3 used to determine the tonnage is derived by application of a correction factor of +7.5% to the average density as determined by PGSA.
4. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
5. The quantity and grade of reported Inferred Resources in this estimate are conceptual in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in the upgrading of the Inferred Resources into an Indicated or Measured Mineral Resource category.
6. The quantity and grade of reported Inferred Resources in this estimation are conceptual in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in the upgrading of the Inferred Resource into an Indicated or Measured Mineral Resource category.

The above 2009 MICON Resource estimate was conducted using many of the same key assumptions, parameters, methods, and categories as were used for the current Resource estimate contained in this report; however, the historic estimate is only relevant for the purpose of making approximate order-of-magnitude comparisons to the current estimation. CAM is not classifying the above 2009 MICON historical estimate as a current mineral Resource estimate; and PGSA is not treating the above 2008 MICON historical estimate as a current mineral Resource estimate.

Subsequent to further drilling during the period between 2010 and 2011, PGSA commissioned CAM to conduct an update and review of the resource calculated by MICON International (2009), based on the expanded drill database results, for which results are summarized below in Table 6-3. This report was filed on SEDAR in Canada subsequent to the listing of Patagonia Gold in Canada on the Toronto Stock Exchange (TSX: PAT) on 7 December 2012.

This report comprises an update of the resource calculated in 2011, which includes drilling results obtained from November 2011 through April 2012.

7.0 GEOLOGICAL SETTING AND MINERALIZATION

7.1 Regional Setting

The Cap-Oeste Project is contained within the Deseado Massif geological province, which occupies a 70,000 square kilometres area in the northern third of Santa Cruz Province. The geology of Santa Cruz has been mapped and compiled at 1:750,000 scale, and published by SEGEMAR in 2003 (Figure 7-1).

Both the Deseado Massif and a second uplifted block, the Somuncura Massif (exposed in Chubut and Rio Negro Provinces to the north), are interpreted to have developed during large-scale continental volcanism accompanying extensional rifting of the Gondwanaland supercontinent and the opening of the Atlantic Ocean (Feraud, et.al, 1999). Bedrock comprises a bimodal suite of andesitic to rhyolitic ignimbrites and tuffs, with lesser flows and intrusions, which was erupted over a 50 million year interval in the middle to late Jurassic (125 to 175 Ma). Its aerial extent places this geological province amongst the most extensive rhyolite platforms worldwide. The Deseado Massif is bordered by two Cretaceous petroliferous basins, the San Jorge Basin to the north, which separates it from the Somuncura Massif, and the Austral-Magallanes Basin to the south. These basins contain thick sequences of non-marine sedimentary rocks which host Argentina's largest producing oil and gas fields.

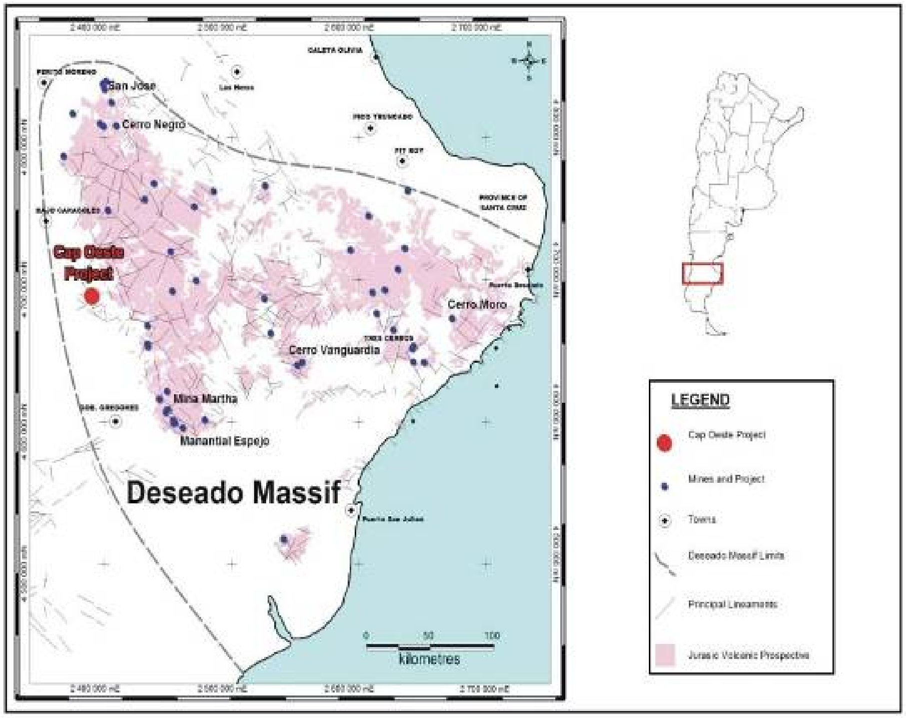


Figure 7-1
Regional Geology of the Deseado Massif, Santa Cruz Province, Argentina
(Source: SEGEMAR, 2003)

Within the project area, the Jurassic volcanic suite is comprised dominantly of rocks assigned to the Chon Aike Formation within the Bahia Laura Group, as shown in Figure 7-2, provided by PGSA. The volcanic stratigraphy of the Bahia Laura Group is the best exposed rock sequence in the Deseado Massif, covering more than half of its area, and comprises three formational members:

<u>Bajo Pobre Formation (175-166 Ma):</u> Andesitic to basaltic flows, agglomerates, and minor hypabyssal porphyry intrusives which intercalate upwards with mafic tuffs, conglomerates and sediments. Olivine basalts common in the lower part of the formation are thought to be products of fissure eruptions from rifts related to early stages of the Gondwana breakup and continental separation.

Figure 7-2
Regional Stratigraphy of the Cap-Oeste Project area
(Source: PGSA 2011)

Chon Aike Formation (166 – 150 Ma:): high-Si, high-K rhyolitic to rhyodacitic ignimbrites, tuffs and lesser volcanic breccias, flows and domes which attain a cumulative thickness up to 1,200m (Sanders, 2000). Volcanic rocks assigned to the Chon Aike Formation are coincident in space and time with the most significant precious metal deposits in the province.

La Matilde Formation (upper age of approximately 142 Ma): fine grained fossiliferous lacustrine sediments, volcano-sedimentary rocks and airborne tuffs.

The Bahia Laura Formation is underlain by an extensive sequence of basement rocks ranging in age from Precambrian to early Jurassic. Younger cover sequences include small windows (less than 300 meters in diameter) of flat-lying Tertiary marine sediments (which have filled structural controlled and/or erosional basins) and alkalic basalts, which form extensive plateaus throughout the region. Finally, unconsolidated Quaternary glacial - fluvial sediments form characteristic elevated gravel terraces throughout the province.

In a regional structural sense, northwest-southeast extensional faults active during the period of Jurassic volcanism formed grabens, half-grabens and horst blocks with pervasive eastern dips. Since the Jurassic, rocks have been cut by normal faults that probably represent reactivated basement fracture zones. The Jurassic rocks have undergone only minor subsequent deformation and remain relatively flat to gently dipping, except on a local scale proximal to faults and subvolcanic intrusions.

Fault kinematics throughout both the Cap-Oeste Project and the surrounding region are consistent with regional east-west to northeast-southwest extension as has been documented for many low sulphidation, epithermal precious metal deposits throughout the province.

7.2 Property Geology

7.2.1 Stratigraphy

The bedrock in the Cap-Oeste area comprises a thick (greater than 500 m) sequence of rhyolitic ignimbrite and tuff units of the Chon Aike Formation, overlain by a veneer of Oligocene-to Miocene-aged shallow marine calc-arenite sediments of the Centinela Formation. These are in turn overlain by unconsolidated, Quaternary-aged fluvio-glacial gravels. The stratigraphy is shown in Figure 7-2, provided by PGSA. The surface and subsurface distribution of these units defined by mapping and drilling, excluding outcrop of the Quaternary gravel cover, is shown in Figure 7-3, provided by PGSA.

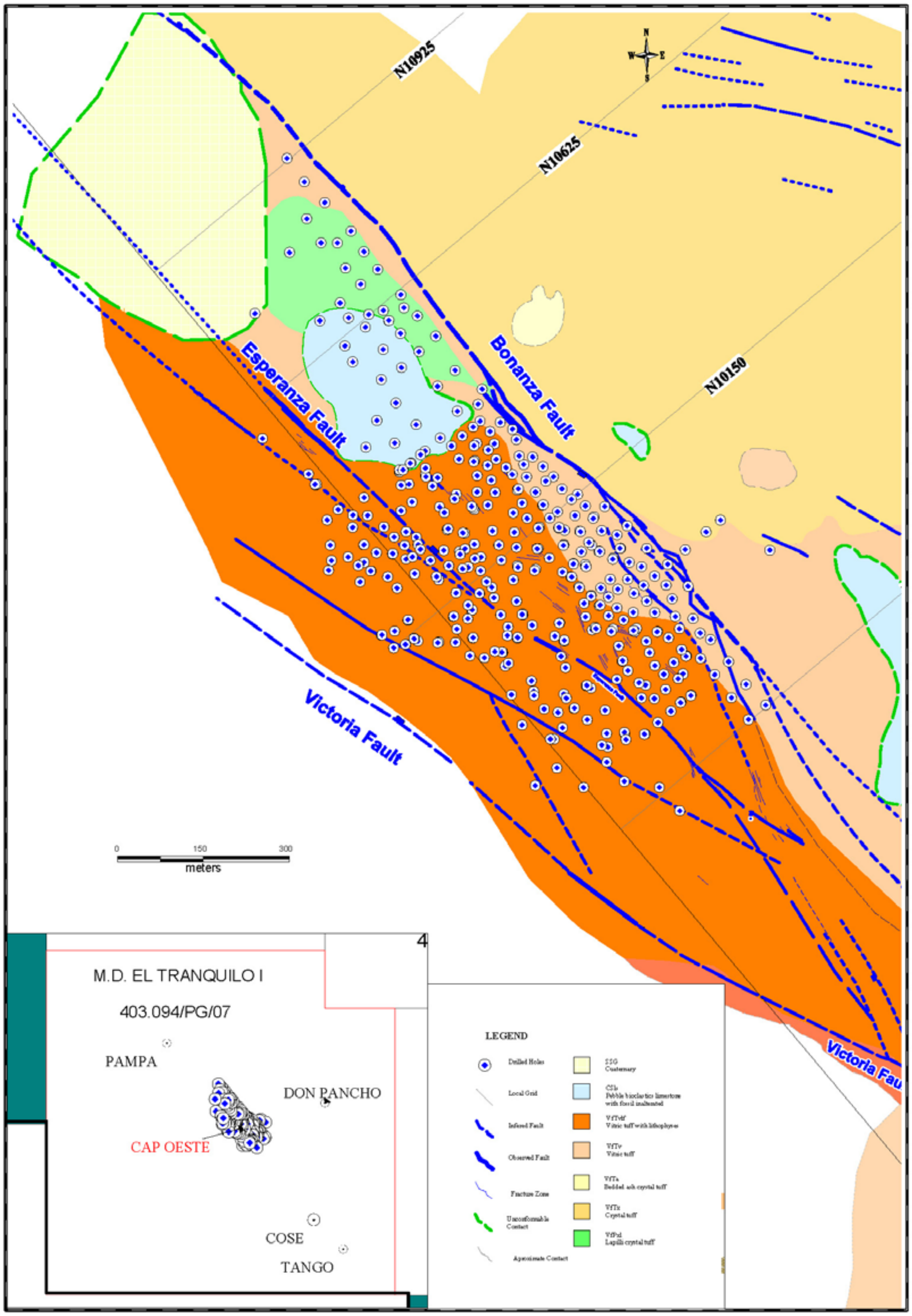


Figure 7-3
Geology and Structure of the Cap-Oeste Project
(Source: PGSA 2011)

From information gained from drilling completed throughout the Cap-Oeste project area, the local stratigraphy of the Chon Aike Formation has been defined by PGSA geologists into eleven sub-horizontal units throughout an approximate 200 by 1200 m area down to a maximum vertical depth from surface of varying between 100 to 500 m (see Figure 7-2). The surface distribution of the various members of the Chon Aike Formation is strongly controlled by a series of at least two sub-parallel, northwest-trending (320º), moderate to steeply southwest and northeast dipping normal faults, respectively named the Bonanza and Esperanza Faults as shown in Figure 7-4, provided by PGSA.

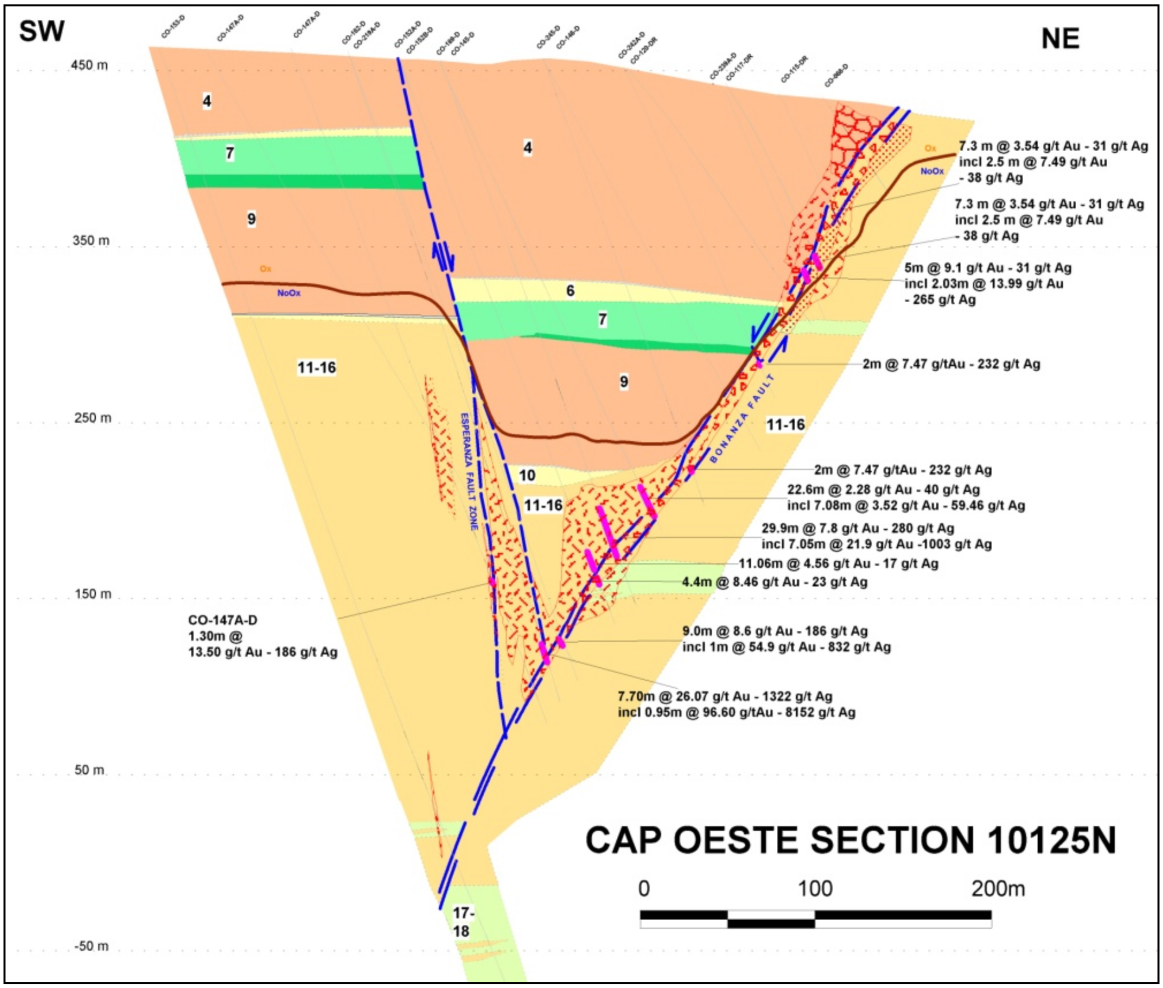


Figure 7-4
Cross Section 10125 N (Looking Northwest)
Showing the Orientations of the Esperanza and
Bonanza Faults and Significant Mineralized Intervals
(Source: PGSA 2011)

In summary, the upper 200 m of stratigraphy that hosts the Cap-Oeste mineralization defined to date has been found to comprise a crystal-poor, rhyolitic, vitric ignimbrite whose distribution is restricted to the hanging wall to the Bonanza Fault and the upper footwall section of the Esperanza Fault. In contrast, the near-surface stratigraphy of the footwall of the Bonanza Fault is dominantly comprised of a quartz-feldspar-biotite crystal-rich ignimbrite unit.

At depth (i.e. below 0 m RL or approximately 450 m below surface), a series of additional units, typically comprising ignimbrite flows ranging from 25 to 100 m in thickness that are separated by thin interbeds of volcano-sedimentary material, are found in the footwall of the Bonanza Fault.

A more detailed description of the individual lithologies and their respective thicknesses is provided below in order of increasing depth from surface, and relative to their positions with the Esperanza and Bonanza Faults.

Footwall (FE) and Hangingwall (HE) to Esperanza Fault

- (VfTv) Rhyolitic Vitric ash tuff (< 0.25mm diameter) with abundant drusy lined, 2 to 4 cm diameter, flattened lythophysae-rich interval (10 m thick) with weakly welded and partially devitrified volcanic glass ash fragments. This unit comprises the prominent topographic high nominated Cap-Oeste, which occurs immediately to the southwest of the mineralized zone. To date, current drilling has intersected a 50-m thick portion of this unit in the footwall to the Esperanza Fault, and throughout the block comprising both the hangingwall to the Esperanza and Bonanza Faults, a 135-m thick portion of this unit has been defined. The relatively increased thickness of this unit in the hangingwall to the Esperanza Fault is interpreted to be a result of the relatively greater preservation of this normally displaced downthrown stratigraphy within the interpreted graben (i.e. between the Esperanza and Bonanza Faults).
- (VfTl) 20-m thick Rhyolitic Lapilli tuff (0.4 to 3 cm in diameter) characterized by a fining upward sequence comprising basal block to lapilli and upper laminated, variably carbonaceous ash tuff 1 to 5 m thick.
- (VfTb) 5 to 10-m thick Rhyolitic Block tuff (>3 cm diameter).
- (VfTv) 70-m thick Rhyolitic Vitric quartz eye ash tuff –moderately welded.
- (VfTvamo) 5-m thick Organic rich laminated rhyolitic ash tuff.
- (VfTx) Rhyolitic quartz, plagiaoclase biotite, crystal coarse ash (0.25 to 4 mm diameter).

Although this lowest unit appears to host proportionally more quartz crystal fragments, it is currently unclear if this unit can or cannot be correlated with the crystal tuff in the footwall to the Bonanza Fault (FB Unit 2). To date, the limit of current drilling has defined a minimum 290 m thickness of this unit in the footwall to the Esperanza Fault and intersected the 80-m thick upper portion of this normally displaced unit in the hangingwall to the Esperanza Fault.

Between sections 10025 N and 10150 N, many of the finer grained units in the lower portion of the stratigraphy in the central graben structure appear to pinch out peripheral to the Bonanza Fault contact, suggesting at least part of the units' deposition was influenced by syn-depositional faulting.

Additionally, to the northwest (between sections 10400 N to 10900 N), a 5-to 40-m thick rhyolite quartz, biotite, plagioclase crystal tuff (rock code VfTxp) containing abundant 0.52-cm sized pumice fiamme clasts has been defined by drilling to be present that conformably overlies the vitric tuff unit (rock code VfTv). This unit underlies a veneer of post Jurassic aged cover rocks, and its lateral extension is confined to between the Bonanza Fault and the Esperanza Fault.

Footwall to the Bonanza Fault (FBz)

- (VfTv) 5 to 20-m thick Rhyolitic vitric ash (<0.25 mm) tuff weakly welded and partially devitrified volcanic glass ash fragments. Given the relative position of this unit elsewhere within the volcanic stratigraphy of the project area (i.e. not found stratigraphically conformable above quartz + plagiaoclase + biotite crystal tuff), it is interpreted that this unit may have possibly been deposited unconformably on the underlying Unit 2 (below) as possibly the latter stage of deposition of the much thicker accumulation of vitric tuff defined in the hanging wall side of the Bonanza Fault (i.e. to the southwest).
- (VfTx) currently undifferentiated, +500-m thick dominantly Rhyolitic quartz+plagiaoclase+biotite, crystal coarse ash (0.25 to 4-mm), including two, 10 to 20-m thick interbeds of fiamme and lithic lapili rich tuff towards the base of the current limit of drilling and 5-m thick interbeds of organic rich laminated ash volcanic units.

7.2.2 Paleo-Volcanic Depositional Setting

These volcano-sedimentary sequences are found in the central portion of the graben structure formed between the Esperanza and Bonanza Faults and are interpreted to represent an extra-caldera, paleo-depositional setting in which a depressed area received numerous ignimbrite flows, potentially erupted from more than one ash-flow caldera centre. The depositional setting must have been of low relief, judging by the commonly fine grain size of the epiclastic rocks and the abundance of carbonaceous intervals reflecting vegetation growth, possibly in a lacustrine environment. The lack of coarse-grained epiclastic rocks near the Bonanza Fault may be indicative that a prominent scarp was not present during the volcanism and sedimentation.

In several localities which fall within a 6km radius of the Cap-Oeste Project area relative small exposures (100m x 200m) of dacitic to rhyolitic domes have been mapped as intruding stratigraphy of the Chon Aike Formation, for which no age dating has been conducted. These domes are commonly characterized by auto and hydrothermally brecciated carapaces and host strong flow foliation. Additonally in some of the recent deeper drilling conducted on the southeastern portion of the Cap-Oeste project, clay-pyrite altered, brecciated flow banded rhyolite possibly representing that of a dome margin was intersected.

7.3 Mineralization

7.3.1 Regional mineralization

The Deseado Massif volcanic province hosts several publically disclosed producing and advanced stage projects as summarized in Table 7-1 and shown in Figure 7-5. The properties listed in Table 7-1 are not considered Adjacent Properties because they are generally located further than 100 kilometers from the Project, and the mineralization listed in Table 7-1 is not necessarily indicative of the Project mineralization. The authors accept the publically disclosed information in Table 7-1 on the basis that they have no reason to not rely upon it. However, the mineral resources disclosed in this report are based entirely on samples from within the PGSA concessions, and the mineral resources lie entirely within the PGSA concessions.

Table 7-1
Selected Gold-Silver Deposits of the Santa Cruz Deseado Massif, Argentina

Deposit	Past Production /Remaining Resources Million Oz	Resource-Metric Tonnes (million)/ Grade g/t Au-Ag	Operation Type	Plant Type/ Annual Production '000oz	Ownership	Data Source
Cerro Vanguardia	2.9 Au/ Vein 3.03 Au / 24.9 Ag Heap Leach 0.53 Au, 44 Ag Vein Underground 0.58 Au,	Vein 15.49/6.09 Au, 63.9 Ag Heap Leach 25.11/0.66 Au, 63.9 Ag Vein Underground 1.58/8.01 Au	Open Pit/ Underground	CIL /Heap Leach : 209 Au , 2,800 Ag	AngloGold Ashanti 92.5%Formicruz 7.5%	'Mineral Resource and Ore Reserve Report 2010' http://www.anglogold.com/subwebs/InformationForInvestors/Reports10/financials/files/AGA-resource-reserves-2010.pdf
Marta Mine	18 Ag /2.7 Ag, 0.003 Au	0.25/328Ag, 0.44 Au	Underground	Flotation Concentrate 1,600 Ag, 1.84 Au	Coeur d'Alene Mines Corporation	Reserves Table Dec 2010 http://www2.coeur.com/resources-table.html
Manantial Espejo	3 Ag/ 55.14 Ag/,0.745Au	15.6/ 110.1 Ag, 1.49 Au	Open pit /Underground	CIL 3960 Ag, 62.8 Au	Pan American Silver	Reserves Table Dec 2010 http://www.panamericansilver.com/operation/argentina215.php
Cerro Negro Project	5.36 Au, 43.7 Ag	22.18/7.5 Au, 61 Ag	Planned Open pit /Underground	Feasibility	Goldcorp	Goldcorp 2011 http://www.goldcorp.com/operations/cerro_negro/
San Jose	47.7 Ag, 0.82 Au	7.5 / 6.0 Au, 455 Ag	Underground	CIL/Gravity 84.3 Au, 5,324 Ag	Hochschild Mining 51% plc. /Minera Andes 49%	Minera Andes 2010 http://www.minandes.com/projects/san-jose-mine/default.aspx

Throughout the northern portion of the El Tranquilo Block exploration claims, PGSA has defined several areas hosting Au-Ag mineralization and pathfinder geochemical anomalism (e.g. As, Sb, Hg) based on historic Barrick and recent PGSA exploration data. These areas are spatially related to three, 2-3km spaced, and northwest trending regional scale mineralized structural corridors, namely the Cap-Oeste, Don Pancho and Vetas Norte corridors as shown in Figure 7-5, provided by PGSA. These corridors extend throughout an approximate 8-kilometer wide by 10-kilometer long window of variably clay-silica-Fe oxide altered Chon Aike volcanic rocks which is surrounded by post Jurassic cover rocks.

Throughout the central and southeastern portion of the El Tranquilo Block two prospects namely Monte Leon and Marciana, which are situated both 11 and 20 km to the southeast of the Cap-Oeste Project respectively, as indicated in Figure 7-5, have been defined throughout areas predominantly covered by post Jurassic cover rocks. The outcropping mineralized rocks mapped throughout both of these prospects are characteristic of those commonly found at high paleosurface levels of precious metal bearing epithermal systems.

Scout exploration drilling by PGSA has been conducted predominantly within an approximate 20 km radius from the Cap-Oeste Project area at eleven prospect areas namely Cose, Pampa, Tango, Cap-Oeste South Extension, Don Pancho, Monte Leon, Marciana, Felix, Breccia Valentina, Vetas Norte and Puma, as shown in Figure 7-5.

Precious metal mineralization intersected at these prospects show a range of structurally low controlled sulphidation Au-Ag mineralization styles including silica poor + iron oxide – sulfide rich, silica-sulfide rich hydrothermal breccias and chalcedonic veining all of which host strong geochemical correlation with As, Sb, Hg +- Mo. The style of mineralization intersected at the Pampa and Cose prospect areas, which are located along the interpreted strike continuation of the Bonanza Fault approximately 2 km to the NW and 1.5km SE of the Cap-Oeste Project respectively, both share strong similarities in terms of geochemistry and structural control with that of mineralization at the Cap-Oeste Project.

The Cose Prospect Drilling to date has defined a high grade shoot, approximately 130 meters long and 12-15 meters wide, situated in the interpreted southeast extension of the Bonanza Fault. The high grade ore shoot pitches steeply to the west north-west over a approximate 120 meter vertical interval, extending from 135 meters to 255 meters vertically below surface as currently defined by limits of drilling to date. Mapping, trench sampling and drilling confirm that the high grade shoot is overlain by a broader (e.g. 20m thick) zone of more diffuse lower grade, high Ag/Au ratio mineralization and trace element anomalism which is transitional to becoming blind geochemically with precious metals at surface.

The highest grade Au-Ag concentrations are hosted by a distinctive suite of sinuous to weakly bifurcating breccias, comprising argillic altered characteristically rounded fragments of volcanic host rock in a sulfide rich milled breccia matrix of fine grained grey quartz, illite, and carbonaceous material. Precious metals occur as native metal, alloys and sulfides, in close association with base metal sulfides, pyrite, and arsenopyrite. The immediate hangingwall and footwall rocks to COSE breccias exhibit lower grade mineralized envelopes, in which precious metals occur in veinlets and disseminations. A National Instrument 43-101 (NI 43-101) compliant mineral Resource and Preliminary Economic Assessment for the COSE was completed in May 2011 by Chlumsky, Armbrust & Meyer, LLC (CAM) on behalf of Patagonia Gold Plc (PGSA) which reported an indicated and inferred resource of 106,392 Oz Au equivalent as shown in Table 7-2 and Table 7-3.

Table 7-2
NI 43-101 Resource Statement
Total INDICATED Resources Undiluted COSE Project

Tonnes	Grade			Contained Metal (Ounces)		
	Au (g/t)	Ag (g/t)	AuEq (g/t)	Au	Ag	AuEq
20,600	60	1,933	96	39,900	1,283,000	63,800

(1) Gold equivalent (AuEq) values are calculated at a ratio of 53.5:1 Au:Ag.
(2) Averages and totals above may not reconcile due to rounding.

Table 7-3
NI 43-101 Resource Statement
Total INFERRED Resources Undiluted COSE Project

Tonnes	Grade			Contained Metal (Ounces)		
	Au (g/t)	Ag (g/t)	AuEq (g/t)	Au	Ag	AuEq
13,800	60	1,933	96	26,600	855,000	42,800

(1) Gold equivalent (AuEq) values are calculated at a ratio of 53.5:1 Au:Ag.
(2) Averages and totals above may not reconcile due to rounding.

The area of the Pampa Prospect is defined as an approximate 600m wide x 2000m long, gravel covered NW extension of the high chargeability and resistivity anomaly extending NW of the Cap-Oeste Project area from the local grid section 11,000N. Drilling from throughout this prospect returned several significant intercepts including hole CX-038-D; 2.25m @ 5.71 g/t Au, 3.2 g/t Ag from a similar style of mineralization and structural setting as that hosted by the Bonanza and Esperanza Faults to the southeast in the Cap-Oeste Project.

The Don Pancho prospect is centered on at least two, west-north west trending (300°), subvertical to steep easterly dipping faults where both illite-silica-marcasite-pyrite gold- silver and silver-only, proustite-dominated mineralization are observed. Scout drilling programs completed to date have outlined this mineralization over widths between 5 to 20 m, along a strike length of approximately 150 m and down to a vertical depth of 80 m. A total of 788m of reverse circulation drilling in 9 holes have been completed at this prospect for which the best result reported is 5m @ 8.3 g/t Au, 250.3 Ag from hole DPA-003-R (23-28m). The limits of this mineralization have not been defined and the mineralization remains open down dip and along strike to the south east. To the northwest of the Don Pancho prospect, geologic mapping suggests that the Don Pancho structural corridor becomes more west-northwest trending and eventually intersects with the Cap-Oeste Structural Corridor.

The Monte Leon Prospect is situated approximately 11km to the southeast and broadly along strike from the Cap-Oeste – COSE deposit trend and is characterized geographically by a north-south trending, elongate 500m wide x 2500m long topographic high comprising a series of rhyolite to rhyodacitic flow and dome complexes, and widespread large blocks of intensely silica replaced and brecciated tuffs and sinter. This area is centered on a continuous 300m wide x 1800m long, north-south trending, broadly coincident zone of strong chargeability and resistivity which remains open along strike and which features a 150m wide x 700m long , central spine of high chargeability in the central portion of the prospect area.

It is interpreted that the Monte Leon Prospect hosts multiphase low sulphidation epithermal Au mineralization developed at a very high crustal level in relation to a series of domes including surficial silica sinter and shale-pyrite hot spring deposits, silica-sulfide brecciated dome margins, polymetallic Ag-Au vein and breccia, Bi-Te-Se +- quartz-sulfide Au and banded chalcedony-ginguro veins (Corbett 2011, 2012). A total of 5902.1m have been drilled in 19 holes to date which have returned results including:

- MLN-003-D 7m @ 1.44 g/t Au, 1018 g/t Ag (85-92m),
- MLN-004-D 1.5m @ 21.21 g/t Au, 320 g/t Ag (122-123.5m)
- MLN-014-D 0.7m @ 80.3 g/t Au, 15.9 g/t Ag (301.2-301.9m)
- MLN-016-D 0.9m @ 15.3 g/t Au, 39.8 g/t Ag (83.1-84m)
- MLN-017-D 0.55m @ 41.8 g/t Au, 2009.4 g/t Ag (82.45-83m)
- MLN-019-D 6.0m @ 12.14 g/t Au, 27.7 g/t Ag (137-143m)

7.3.2 Property Mineralization

Description and Distribution

As described in Section 7.2, Au-Ag mineralization at Cap-Oeste is predominantly hosted by the northwest- trending Bonanza Fault, which dips 40 to 80º to the southwest. Drilling has therefore been orientated towards the northeast (50º true north) along grid lines orthogonal to a baseline trending 140º. At surface the fault juxtaposes crystal-poor ignimbrite to the west with dominantly crystal-rich ignimbrite to the east, reflecting “west side down” normal displacement, and is interpreted to be one of the bounding structures to a Late Jurassic graben or half-graben, as previously discussed.

The definition of the eight broadly defined successive types of mineralization at the Cap-Oeste project are shown schematically in section and photographically for mineralization in Figure 7-6. The individual types are categorized numerically according to their respective locations respect the BonanzaEsperanza Faults.

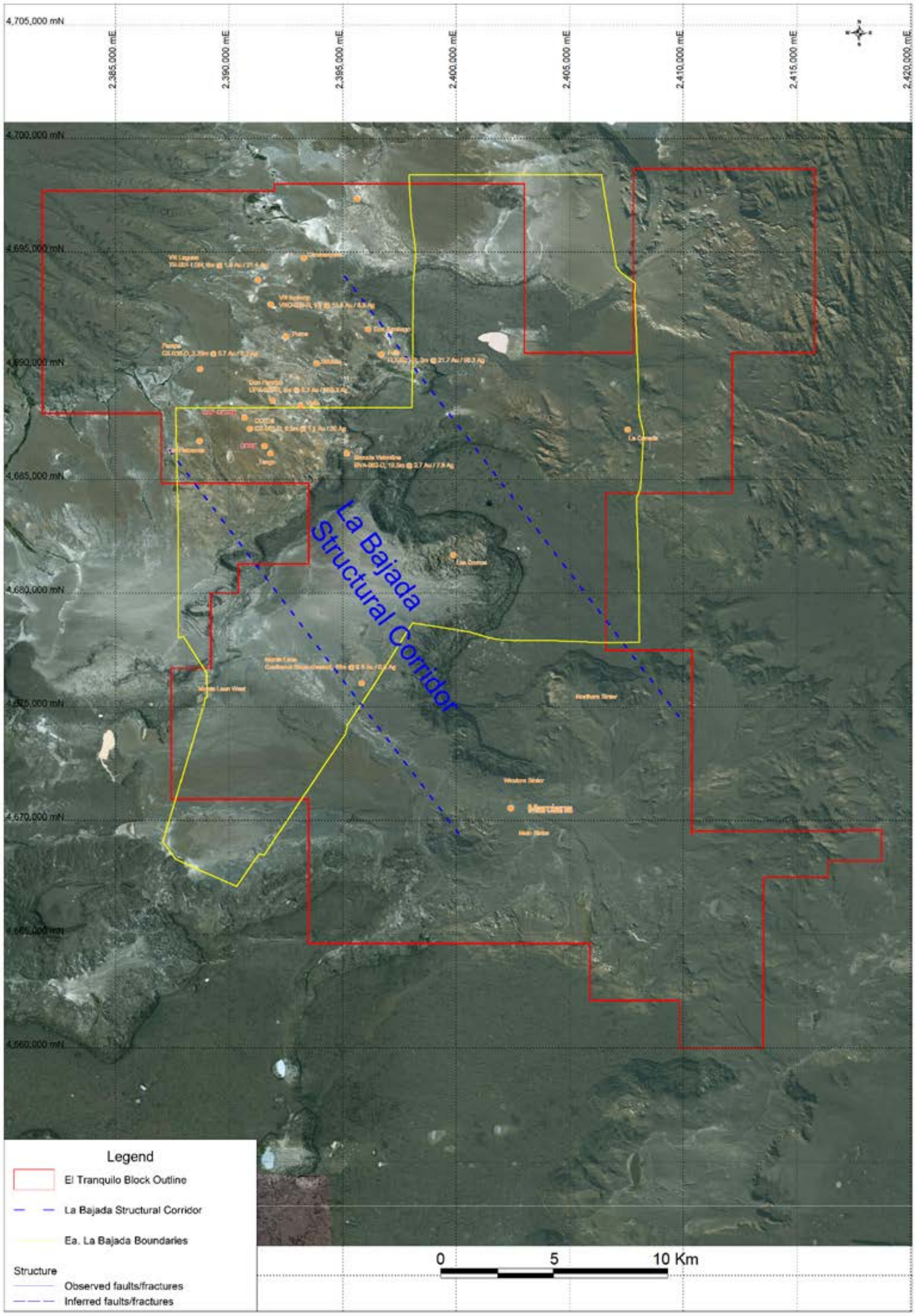


Figure 7-5
El Tranquilo Block Prospect Locations

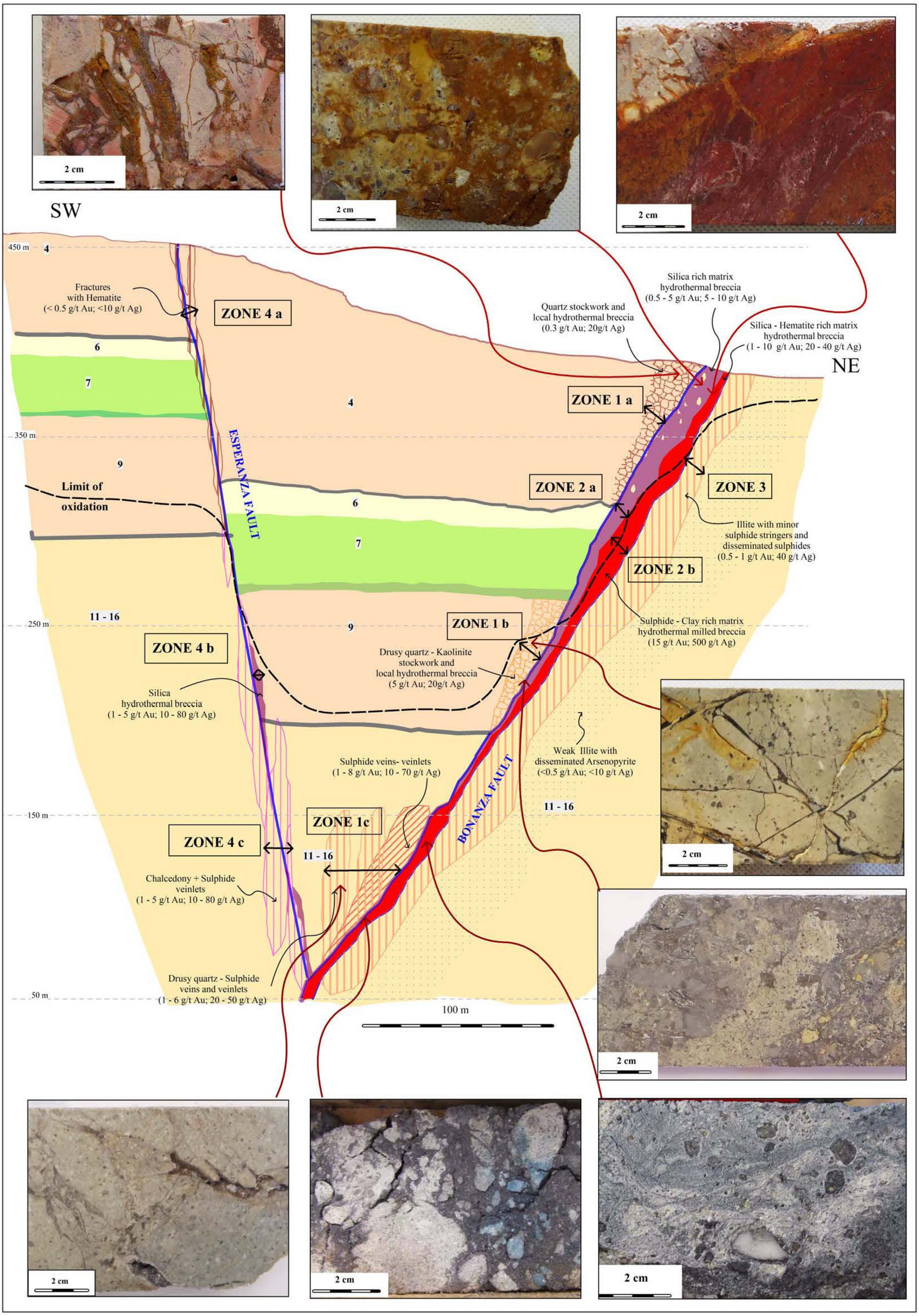


Figure 7-6
Mineralized Section Schematic
(Source: modified after Sillitoe 2008)

Distinguishing features of these zones are summarized below:

Zone 1a (Upper level Hangingwall Crackle Breccias and Veinlets)

In the upper levels peripheral to the Bonanza Fault (within 80 m from surface) this zone is developed over 10-to 40-m true width, preferentially within the hangingwall vitric tuff unit. Irregular, multi-directional, quartz (chalcedony) stockwork veinlets and matrix-supported breccia occur with associated pyrite, goethite, and hematite which report persistently anomalous precious metals averaging of the order of 0.3 g/t Au and 20 g/t Ag.

Where unoxidized, this zone contains generally low concentrations of disseminated sulfides (<1.0%) and low-order precious-metal values, typically of the order of 0.3 g/t Au and 40 g/t Ag.

This zone tends to narrow and become less well developed at depth within the upper vitric tuff unit, possibly as a result of increasing lithostatic pressure and its effect on ascending hydrothermal fluids and commonly passes a transition to predominantly disseminated mineralization where it intersects the less competent rhyolitic lapilli and block tuff proximal to 300 m RL.

Zone 1b (Hangingwall Drusy Quartz Stockwork and Crackle Breccias)

This zone is characterized by a 5-to 20-m wide corridor comprising high grade, drusy quartz - aolinite stringers and jigsaw / crackle breccias. Mineralization is developed predominantly in the lower, generally unoxidized, hangingwall vitric quartz eye tuff, below a depth of approximately 150 m, in the hanging wall of the Bonanza Fault,. This mineralization typically hosts low concentrations of disseminated sulfides (<1.0%) withlow Au: Ag ratios (1:4) and precious metal values of the order of 5 g/t Au and 20 g/t Ag.

Zone 1c (Hangingwall Sulfide vein / veinlet)

This zone has been discovered and defined by recent deep drilling below a depth of approximately 250 m. Mineralization is concentratednear the intersection of the Esperanza and Bonanza Faults, between sections 9825-10400N. Mineralization consists of a 5-to 20-m wide zone of multi-directional , drusy quartz-sulfide and sulfide-only veins and veinlets. The quartz-sulfide vein set is subvertical in orientation, whereas the sulfide-rich vein set generally occurs subparallel to the Bonanza Fault. The subvertical vein set is characterized by grades of between 1-6 g/t Au, 20-50 g/t Ag and the southwest dipping sulfiide vein set is characterized by grades of between 1-8 g/t Au, and 10-70 g/t Ag. Both vein sets have characteristically lower Au: Ag ratios as compared to mineralization wihin host fault breccia.

Zone 2a (Fault Zone & Silicified Hydrothermal Breccia)

This zone varies from 1 to 5m thick and consists of both hydrothermal and silicifed tectonic breccias. Breccias contain generally angular clasts of the contrasting lithologies that have been juxtaposed across the Bonanza Fault. Zone 2a breccias are commonly overprinted by pervasive chalcedony - supergene hematite (where oxidized) and disseminated marcasite-pyrite (where unoxidized), thought to be introduced during cyclic re-brecciation and healing events. This zone tends to narrow at depth which is interpreted to be the result of increasing lithostatic pressure and its effect on ascending hydrothermal fluids. Gold and silver values are typically of the order of 0.5 to 1 g/t Au and 40 g/t Ag, respectively.

Zone 2b (Sulfide Matrix Breccia- Sulfide veinlet)

This zone comprises a suite of distinctive, milled to fluidal textured breccias. Where un-oxidized, breccias carry two contrasting fragment populations:

- sub-angular/ rounded and silicified clasts
- concentrically-layered, clay-altered clasts supported by a dark, silica-poor, marcasite-pyrite-illite-matrix enriched in Au and Ag.

This zone varies in width between 5 and 15 m, and occurs along the footwall contact of the more silicified breccias of Zone 2a, near the footwall contact of the Bonanza Fault (Figure 7-7). From surface to the base of oxidation this zone is generally overprinted by strong supergene hematite +/- silica alteration. At depth the zone occasionally bifurcates and hosts intermittent, 1-4m wide intervals of sulfide rich veinlet style mineralization. Gold and silver values are of the order of 15 g/t Au and 500 g/t Ag, with relatively high Au:Ag ratios. Zone 2b is the principal host to high grade mineralization throughout the Cap-Oeste Project.

Zone 3 (Footwall Stringer/Disseminated Zone)

This zone is characterized by sheeted to stockwork style, marcasite-pyrite-arsenopyrite veinlets and disseminations containing up to 5% fine sulfide. It is situated adjacent to Zones 2a and 2b, over a width of 10 to 40 m. Precious metal values diminish progressively into the footwall, together with an increase in the smectite:illite clay alteration ratio and a decrease in abundance of arsenopyrite needles. Zone 3 lacks the presence of hydrothermal quartz veinlets or stringers and occasionally hosts rare calcite-filled stringers. This zone hosts gold and silver values typically in the range of 0.5-1.0 g/t Au and 40 g/t Ag.

Figure 7-7
DDH Core from hole CO-054-D: Example of mineralized breccia in Zone 2b below silicified hematite rich oxidized fault contact
(Source: PGSA 2011)

Zone 4 (Esperanza Fault hosted Silica Hydrothermal Breccia)

This zone is approximately 15m wide which is related to the zone of faulting along the Esperanza Fault and hosts a series of individual 0.2 to 1m thick hydrothermal and probable tectonic silicified breccias. These breccias comprise generally angular clasts which are commonly overprinted by pervasive chalcedony+ supergene hematite (where oxidized) and disseminated marcasite-pyrite (where unoxidized). Close to surface this zone is characterized by precious metal poor, weak hematite filled fractures, which commonly display slickenside fabric, whereas below approximately 300m RL this zone hosts gold and silver values typically in the range of 1 to 5 g/t Au and 10-80 g/t Ag.

Zone 4a (Chalcedony-sulfide veinlets of the Esperanza Fault)

An array of 0.5-2cm wide chalcedonic silica veinlets crosscut the breccias of Zone 4 below 200 m depth (approximately 300 m RL). This zone, which occurs erratically, is characterized by precious-metal values, of the order of 1-5 g/t Au and 10-80 g/t Ag; Au: Ag ratios of approximate 1:10.

Drilling completed to date in the immediate Cap-Oeste project area and along the strike extension of the Bonanza Fault has defined gold-silver mineralization and/or anomalous indicator geochemical signatures over a strike length exceeding 4km that are broadly coincident with the Bonanza Fault.

To date, the majority of the step out drilling at depth along this zone has been focused on delineating mineralization which appears to comprise a series of broadly defined shoots over a strike length of approximately 1,100 m between sections 9700 N and 10800 N, as shown in the longitudinal projections for gold, silver and gold-equivalent grade-thickness products (Figures 7-8, 7-9 and 7-10, respectively).

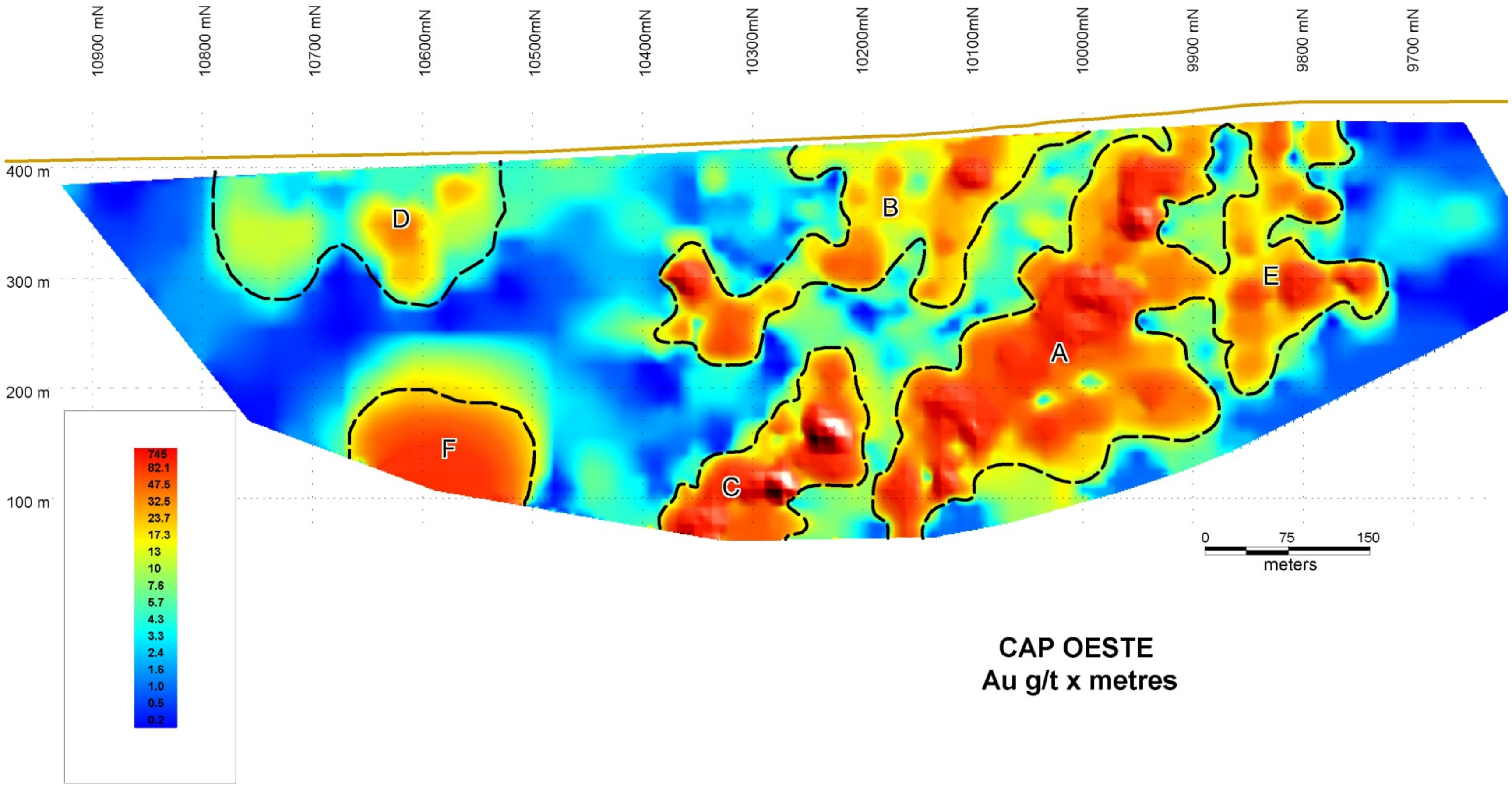


Figure 7-8
Cap-Oeste Deposit -Longitudinal Projection of the Au Grade-Thickness (Au g/t x meters)
(Source: PGSA, 2011)

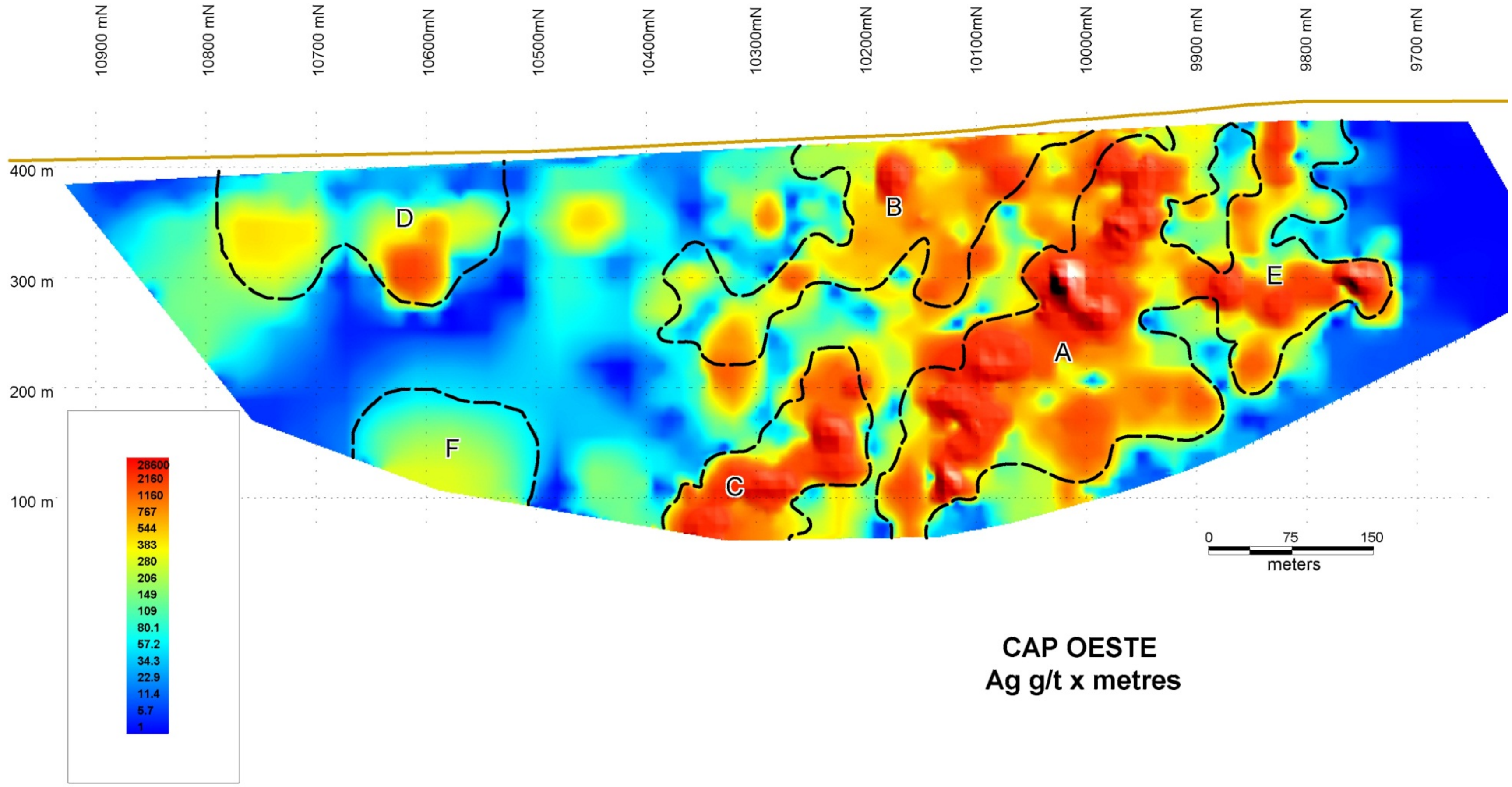


Figure 7-9
Cap-Oeste Deposit -Longitudinal Projection of the Ag Grade-Thickness (Ag g/t x meters)
(Source: PGSA, 2011)

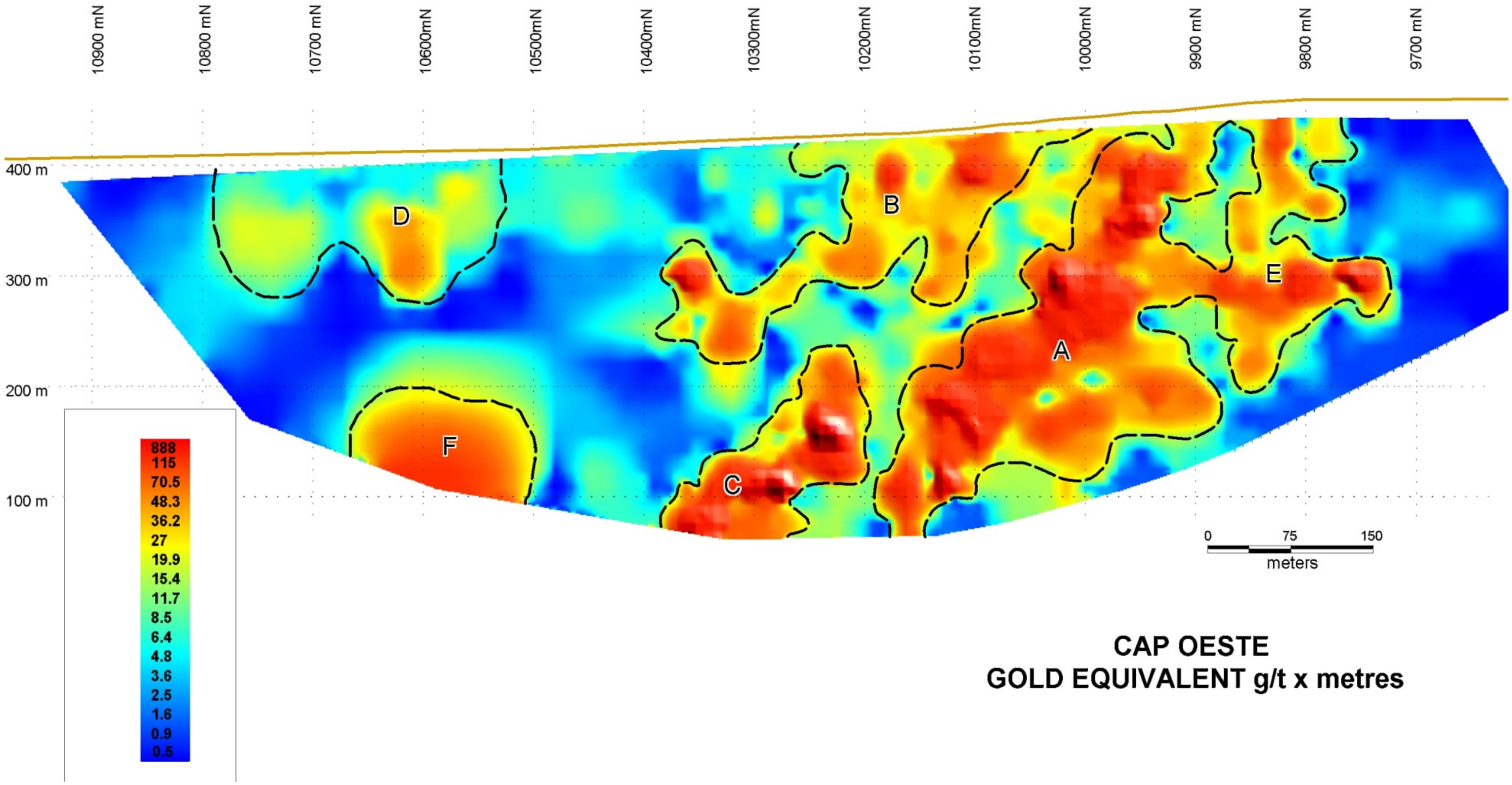


Figure 7-10
Cap-Oeste Deposit -Longitudinal Projection of the Au equivalent Grade-Thickness (Au eq g/t x meters)
(Source: PGSA, 2011)

These longitudinal projections were generated from the mineralized intersections from drill holes that are predominantly centered on breccia style mineralization along the Bonanza Fault as tabulated in Section 10 (refer to Table 10-1). In creating these mineralized intersections, potentially economic grade mineralization was identified by application of a minimum cutoff grade of 0.5 g/t Au or 35 g/t Ag. The mineralized core interval lengths were used in the calculation of the grade-thickness products.

For areas peripheral to the main shoots that contain low to anomalous level gold-silver values, drilled intervals which indicate continuity of mineralization along the Bonanza Fault were selected to maintain continuity on the longitudinal projections.

The longitudinal projection for silver displays a relatively more cohesive medium to high grade silver zone (defined by silver grade x thickness greater than 350 gram-metres) defined by the partial union of the Shoot A and Shoot B, compared to the long section for gold. Local differences between respective high gold and high silver zones are considered to be due to the presence of differing mineral assemblages, particularly evident by the gold-rich, silver poor lower portion of Shoot B and relatively high silver-low gold signature of Shoot D. The longitudinal projection for the gold-equivalent gram-metre data essentially confirms the continuity of the individual shoot geometry.

It is currently interpreted that mineralized shoot localization is controlled by the intersection of the Bonanza Fault with the crosscutting fracture corridor described above and subtle strike changes along the former. Additionally, where this structural combination transects more competent lithologies it is believed that there is a tendency for enhanced gold and silver values throughout, or immediately peripheral to, the lower respective contact. Throughout the Cap-Oeste project area this appears to have created a broadly repetitive geometrical pattern of a series of at least six shoots developed along the plane of the Bonanza Fault described as follows:

Shoot 'A' or 'Main'

The Shoot 'A' is the most extensive lens defined to date and is defined by a gold grade-thickness composite value of greater than 20 gram-metres. It is interpreted to extend from surface (425m RL) down plunge at a pitch of approximately 50° along the plane of the Bonanza Fault for a distance of approximately 450 m, between sections 9850 N and 10200 N. The average height (as measured in a direction perpendicular to the plunge of the shoot) of the higher grade portion of the shoot is approximately 70 m and width of the shoot is approximately 10 m. Recently completed infill drilling has defined significant moderate grade mineralized extensions to this shoot to the southeast between sections 9875 to 10050N between 125-200m RL.

Mineralization at the currently defined lower limit of the Shoot A (<75 m RL) remains open, albeit with reduced dimensions.

Shoot B

Shoot B is centered at surface approximately 100 m to the northwest of and sub-parallel to Shoot A and extends over a length of 350 m, plunging approximately 35° to the northwest along the plane of the Bonanza Fault. The average height and width of the shoot is approximately 35 m and 10 m, respectively within which this shoot shows more variability than the A shoot in terms of grade and width.

Based on the longitudinal projections and the gold grade contours shown in plan view projection (Figure 7-11), the individual A and B shoots have the following geometries along the plane of the Bonanza Fault:

- A or Main Shoot: (between sections 9850 N and10200 N). Plunge 35-55° at an azimuth of 280°.
- Shoot B: (between sections 10000 N and 10375 N). Plunge 30° at an azimuth of 300°.

Shoot C

Shoot C was discovered and further defined from drilling conducted between December 2011 and April 2012, between Sections 10200 to 10375N. between 50 and 235m RL. Mineralization extends over a distance of 220 m and plunges 50° to the northwest along the plane of the Bonanza Fault. It is characterized by anomalously low Au: Ag ratios, but contains some of the widest (15-35m) and highest grade gold mineralization intersected to date in the Project including:

- CO-285-D; 19.2m @ 34.29 g/t Au and 255 g/t Ag from 349.2m; and
- CO-317-D; 37.4 m @ 20.04 g/t Au and 205.63 g/t Ag.

The geometry of Shoot C is interpreted to be structurally controlled, occurring near the shallow, northwest plunging intersection of the Bonanza and Esperanza faults, near cross-cutting WNW structures.

Shoot D

Shoot D is centered approximately 600 m to the northwest of the central outcropping portion of the Shoot A, between Sections 10550 N and 10775 N. This shoot, as defined by drilling to date by, is seen to comprise a series of relatively poorly defined, disjointed zones of mineralization the most strongest mineralized portion of which occurs between sections 10550N and 10650N. The approximate height and width of the shoot is 35 m and 10m respectively and the indicated northwest trending plunge length of this shoot is approximately 100 m. Based on the limited level of drilling at depth towards the north west from this shoot along the Bonanza Fault, it is currently interpreted that applying a hypothetical rake angle similar to the other main shoots of approximately 35° - 60°, remaining potential exists for shoot development particularly proximal to the intersection of the Bonanza and Esperanza Faults.

Shoot E

Shoot E is centered approximately 125m to the southeast of the surface expression of Shoot A, at the site of a subtle change in strike of the Bonanza Fault from NW to NNW. Mineralization appears to pitch more steeply down the plane of the Bonanza Fault than do Shoots A and B. Drilling to date has defined this shoot to a depth below surface of approximately 250m down to 200m RL and with the combination of high Au and Ag values at approximately 300m RL (150m below surface) mineralization appears to be more strongly developed and the shoot appears to exhibit continuity with the Shoot A.

Shoot F

Shoot F is a recent discovery and is currently defined by a single drill intercept in hole CO-335-D which reported 28.3m @ 4.11 g/t Au, 25.52 g/t Ag from 353.3m including 2.2m @ 12.54 g/t Au and 47.74 g/t Ag. The intersection is centered on Section 10575N at approximately 110m RL.

Although the geometry and extent of this shoot remain to be delineated by further drilling, it's location down plunge from shoot B suggests it may have a similar structural control (Figures 7-8 to 7-11).

Mineralogy and Paragenesis

Based on observations from core in hand specimen, thin and polished section petrographic samples (total of 28 samples) and studies by computed axial tomography (CAT scan; 2 samples), the respective mineralogical characteristics of oxide and sulfide assemblages have been determined and are discussed below.

Oxide Mineralogy

Partial to complete supergene oxidation of high-grade Au-Ag mineralization (Zones 2a and 2b) has occurred to an average depth interval of 70 to 120 meters, with the consequent destruction of all sulfide minerals and the development of abundant hematite, jarosite, limonite, and kaolinite. The oxide/ sulfide boundary is transitional, and generally mirrors the southwest dipping trace of the fault, with oxidation consistently reaching greater depths on the hangingwall side of the Bonanza Fault. This has been interpreted as due to the lower rock permeability (i.e. more resistant to the circulation of oxidizing fluids) caused by the preferential development of illite and smectite clay) in footwall rocks (Sillitoe, 2008).

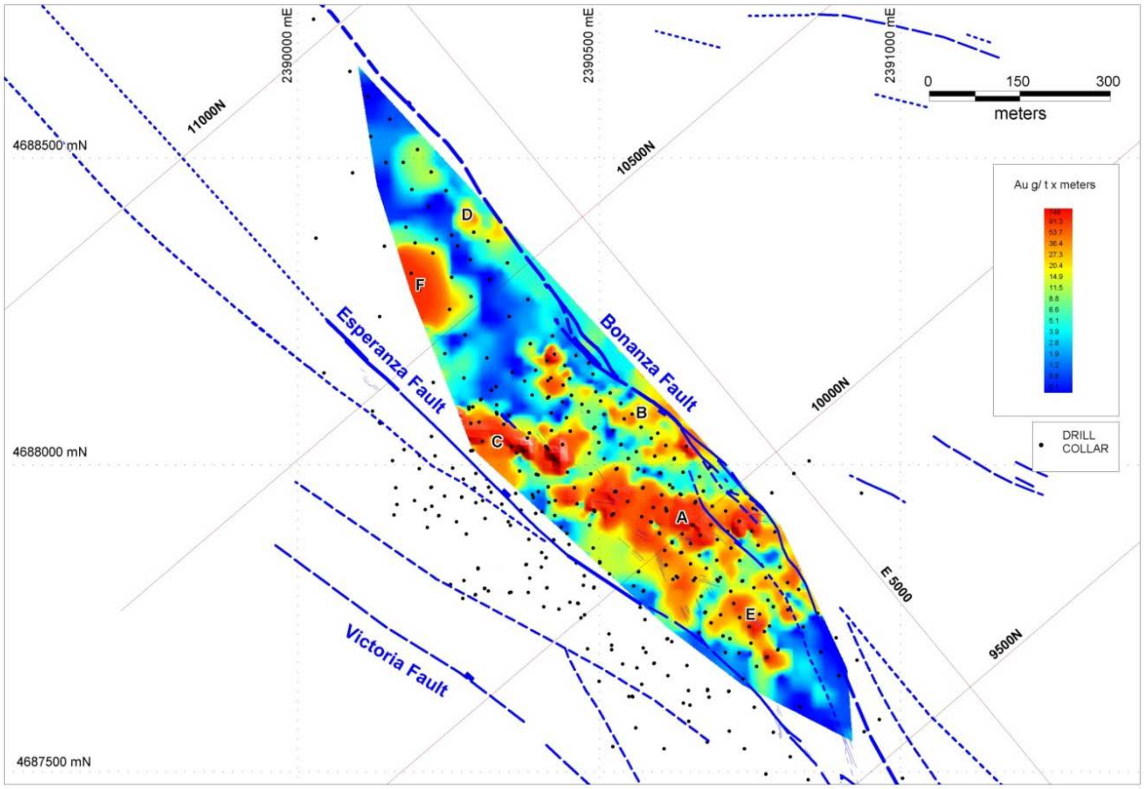
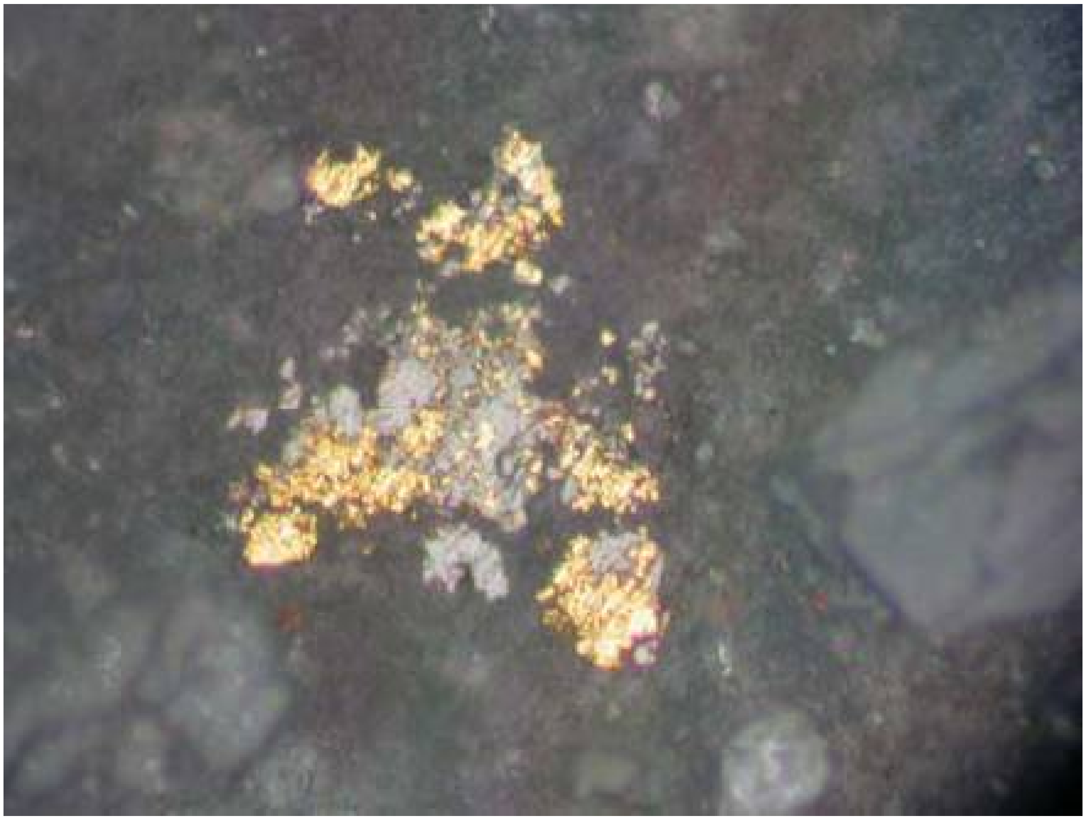


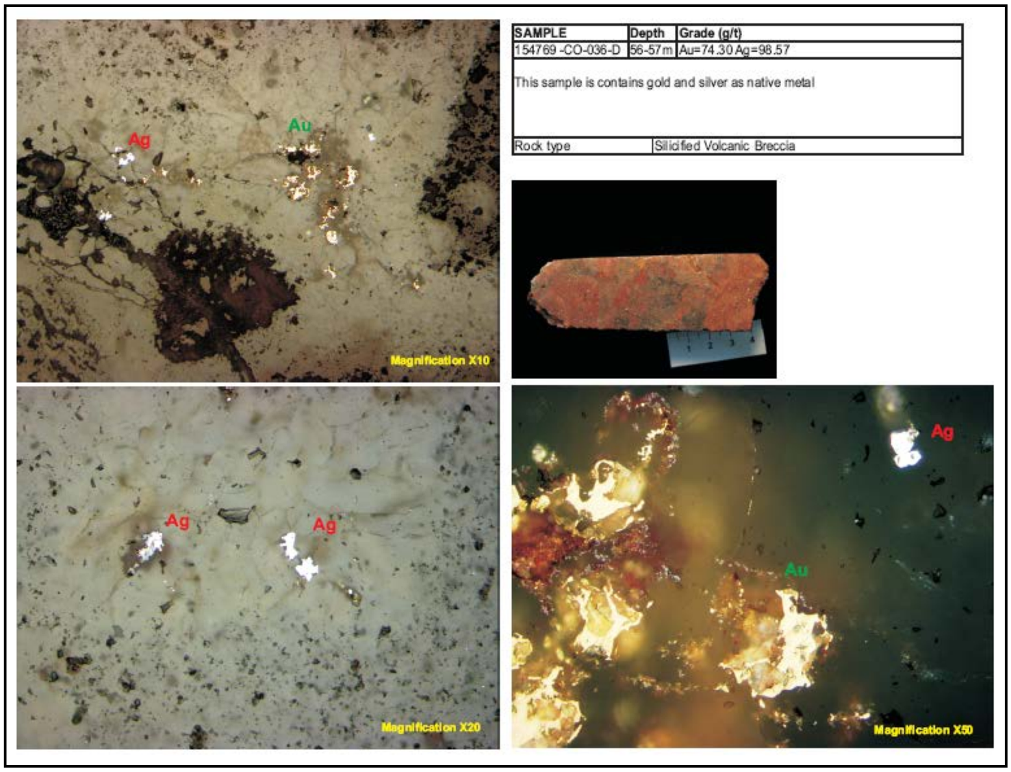
Figure 7-11
Contoured Plan for Gold Grade-Thickness Product
Showing Au Distribution and Geometry for the Cap-Oeste Main
(Source: PGSA, 2011)

Within the zone of oxidation, gold occurs in the native state; discrete grains of gold (up to approximately 30 µm across) were observed and interpreted to be of both relict hypogene and supergene occurrence (Photographer N 7.1). The fineness of the gold may have been increased due to preferential silver removal during oxidation of hypogene electrum. Native silver has also been defined by both petrology and CAT scan, some of it potentially inherited from hypogene assemblages.



Photograph 7-1
CO_054-DR (132-133.1m; 7.86 ppm Au, 87.2 ppm Ag). Composite aggregate of gold-electrum with argentite-acanthite (pale grey) (Ag_2S) enclosed in quartz and illite-sericite (dark grey), with slight development of supergene Fe oxides (red-brown hue). Plane polarized reflected light, field of view 0.2 mm across (after Ashley 2008).

Similarly, in the oxidized sample examined by CAT, gold and silver were observed to occur in the native state and also as electrum, as shown in Photograph 7-2. Using the BMAL feature in QEMSCAN (G & T (2012) for a composite sample of oxide mineralized material Ag mineralization was observed as acanthite/argentite Ag_2S (70%), polybasite $[Cu, Ag]_6$ $[Sb, As]_2$ S_7 $[Ag_9CuS_4]$ (15 %), native silver (10%) and jalpaite Ag_3CuS_2 (5%).



SAMPLE	Depth	Grade (g/t)
154769 -CO-036-D	56-57m	Au=74.30 Ag=98.57
This sample is contains gold and silver as native metal		
Rock type	Silicified Volcanic Breccia	

Photograph 7-2
(CO-036-D; 56-57m) – Computed axial tomography (CAT) scan image
LHS image represents a rendered 2D image of the distribution of native Au/Ag at the flat surface face of the core sample, the RHS image represents the 'see through' 3D projection showing the pattern produced by the Au/Ag distributed throughout the whole volume of the sample

Apart from minor amounts of scorodite ($FeAsO_4 \cdot 2H_2O$.), no other supergene minerals have been identified to date and it is assumed that strongly anomalous values of Au, Ag, As and Sb may also be hosted in supergene Fe oxides. In addition, Ag is suspected to be present as one or more halides including chlorargyrite (AgCl), embolite (Ag(Br,Cl)), bromargyrite (AgBr) and iodargyrite (AgI) given the semi-arid climatic conditions and consequent elevated chloride, bromide and iodide contents of local ground water (Sillitoe, 2008).

As a product of post-drilling superficial oxidation of molybdenite, numerous high grade, sulfide Au-Ag drill intervals hosting original elevated concentrations of molybdenite (MoS_2) reflect high visually prominent (i.e. blue staining) concentrations of ilsemannite ($Mo_3O_8 \cdot n(H_2O)$).

Sulfide Mineralogy

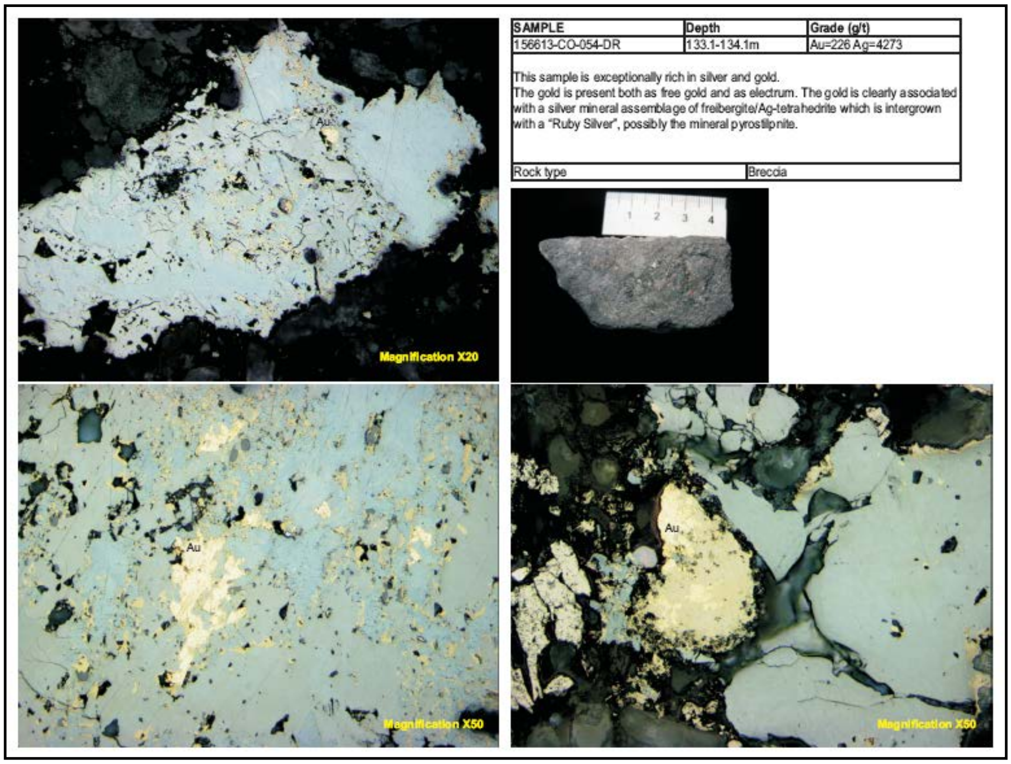
Based on hand lens observations, the main sulfide minerals in the Cap-Oeste Project zone are pyrite and marcasite; pyrite typically occurs as small (less than 0.5 millimeters) isolated crystals and marcasite as fine (less than 0.2 millimeters) disseminations. Sulfides occur in different sites including altered phenocrysts (e.g. former ferromagnesian and feldspar pseudomorphs), altered groundmass of volcanic fragments, in strongly silicified fragments in breccias, as components of hydrothermal breccia matrices and veins, and within fault gouge.

In hand specimen the pyrite appears to be early in the paragenesis of precious metal mineralization and typically occurs as sub-radiating and bladed aggregates, whereas the marcasite appears to be more closely related to the gold and silver mineralization. Arsenopyrite (FeAsS) is widespread as an accessory to the iron sulfides particularly in the footwall stringer Zone 3 where it is paragenetically later than pyrite-marcasite.

Precious metals within hypogene mineralization occur dominantly in finely disseminated proustite (Ag_3AsS_3), argentite/ acanthite (Ag_2S), sternbergite ($AgFe_2S_3$), lautite (CuAsS), and gold/electrum, either singly or in aggregates. Gold values in excess of 10 grams per tonne occur with concentrations of acicular arsenopyrite without appreciable Ag and Sb, most commonly on the immediate footwall side of the high-grade zone. In several of the petrology samples hosting high grade hypogene mineralization no discrete Au-bearing phases were recognised, suggesting that a proportion of the gold might be held in arsenopyrite ± pyrite.

From the CAT study of hypogene samples, Au and Ag were found to occur both in the native state and as electrum - both of which show a strong association with freibergite $(Ag, Cu, Fe)_{12}(Sb, As)_4S_{13}$, argentiferous tetrahedrite $(Cu,Ag)_{10}(Fe,Zn)_2Sb_4S_{13}$ and possibly pyrostilpnite (Ag_3SbS_3), as shown in Photograph 7-3).

Hand specimen observations suggest that tennantite ($(Cu,Fe)_{12}As_4S_{13}$) argentiferous tetrahedrite ($(Cu,Ag)_{10}(Fe,Zn)_2Sb_4S_{13}$) mineralization identified on the basis of its characteristic chestnut-colored streak is broadly confined to Zone 2b, and gives rise to close correlations between gold, silver, copper, antimony, arsenic and mercury values. There are also minor occurrences of high-grade silver-gold mineralization that lack any correlation with elevated copper, arsenic and antimony values, most likely due to the presence of acanthite (Ag_2S), electrum and/or native silver, all of which have been identified locally in drill core.



SAMPLE	Depth	Grade (g/t)
156613-CO-054-DR	133.1-134.1m	Au=226 Ag=4273
This sample is exceptionally rich in silver and gold. The gold is present both as free gold and as electrum. The gold is clearly associated with a silver mineral assemblage of freibergite/Ag-tetrahedrite which is intergrown with a "Ruby Silver", possibly the mineral pyrostilpnite.		
Rock type	Breccia	

Photograph 7-3
Hole CO-054-DR: 133.1- 134.1m; 226 ppm Au, 4273 ppm Ag Computed axial tomography CAT scan image – showing Au associated with Freibergite (Ag, Cu, Fe)$_{12}$(Sb, As)$_4$S$_{13}$ and Ag tetrahedrite (Cu,Ag)$_{10}$(Fe,Zn)$_2$Sb$_4$S$_{13}$ and possibly pyrostilpnite (Ag$_3$SbS$_3$). LHS image represents a rendered 2D image of the distribution of native Au/Ag at the flat surface face of the core sample, the RHS image represents the 'see through' 3D projection showing the pattern produced by the Au/Ag distributed throughout the whole volume of the sample.

In Zone 2b, one or more ruby silver minerals, probably proustite (Ag_3AsS_3), and/or pyrargyrite (Ag3SbS3), occur as monomineralic veinlets and undeformed clastic grains. There is a strong suggestion that these silver sulphosalts were deposited late with respect to the rest of the gold-silver mineralization at the Cap-Oeste Project which were in turn followed by deposition of trace amounts of realgar (As4 S4) and orpiment (As2S3). The geochemical association of silver with other metals as described suggests that supergene silver enrichment is not an important contributor to bonanza-grade values, and that appreciable silver introduction as supergene acanthite is unlikely (Sillitoe, 2008). Particle size for individual Ag-rich minerals ranges up to 0.5 to 1.0 millimeters, with local aggregates up to a few millimetres.

Controls on Mineralization

Ore Fluid Genesis

The ore fluid responsible for mineralization at Cap-Oeste is postulated to have been focused within dilatant sites along the Bonanza Fault, with its expulsion potentially linked directly to fault-displacement events. The source of the fluid may have been felsic magma similar to that which formed rhyolitic domes intersected at depth in drilling in the southeastern portion of Cap-Oeste and those outcropping approximately six kilometres to the southeast at Breccia Valentina (Sillitoe, 2008). Corbett (2011) attributes much of the mineralization at Cap-Oeste to rapid cooling of a rising quartz-sulfide style magmatic ore fluid as a result of mixing of rising ore fluids with low pH acid sulphate waters, based on the presence of kaolin in the bonanza Au Au- ore assemblages.

Petrological examination by Ashley (2010) reported evidence of at least two alteration events the first characterized by potassic alteration comprising of replacement of the groundmass, sanidine-plagioclase feldspar and biotite by fine grained K-feldspar and quartz, and a subsequent retrograde argillic illite- -sericite+-kaolinite overprint that was locally accompanied by silicification.

The argillic and local silicic alteration of the volcanic host rocks appears in many samples to be related temporally to the formation of hydrothermal breccias and veining which is interpreted to have occurred in at least two episodes.

The first is dominated by fine to medium grained quartz characterized by local late stages of deposition of sulfides, mostly pyrite and arsenopyrite, clay, and rare carbonate. Carbonate in bladed/prismatic form could have been formerly more common in breccia infillings, but has been pseudomorphed by quartz, or possibly by bladed aggregates of fine grained pyrite ± marcasite, overgrown by arsenopyrite. Although high-grade mineralization is relatively quartz-poor, adjacent, intensely silicified rocks of Zone 2a are considered as integral parts of the mineralizing event (Sillitoe, 2008). It is postulated that silicification and associated stockwork development may have occurred early on, with the stockworks the product of fluid overpressuring and release into the overlying hanging wall of the Bonanza Fault. The decrease in stockwork development with depth hence reflects increasing lithostatic pressure. However, fluid that accessed the immediate foot wall of the fault appears to have not undergone the same degree of cooling; hence, the complete absence of both silicification and quartz veining. A lack of open space during the faulting is considered the most likely explanation for the absence of the banded quartz typical of low-sulphidation deposits.

The second phase of breccia infill tends to contain abundant sulfides and illite-sericite, with little or no quartz which hosts sulfides including paragenetically early arsenopyrite and pyrite, with later-deposited

Ag minerals, base metal sulfides, along with gold-electrum. Sillitoe (2008) postulates that the ore-bearing fluids were focused along the footwall side of silicified zone originating from the 1st episode, resulting in intense illite-sericite alteration.

Following alteration and mineralization, fault displacement is suggested by Sillitoe (2009) to have continued and been localized by the rheologically weakest part of the fault zone: the intense illite-sericite alteration along the immediate footwall of the massive silicification, which given that this zone was also the site of high-grade mineralization, much of the potential ore occurs in fault gouge.

However, petrological examination by Ashley (2010) concludes that little or no textural evidence exists that suggests there was any significant deformation (e.g. shearing) occurring during, or after the formation of hydrothermal breccias and association veining. Contents of most breccias, particularly those with quartz-rich infill, remain unstrained and lack fracturing. It could be implied that in some of the breccias in which illite-sericite is the dominant matrix infill, that there is a weak anastomosing foliation, but enclosed delicate sulfide aggregates (including "hard" arsenopyrite and pyrite, and "soft" precious and base metal phases) do not show any cataclastic or foliation effects.

Stratigraphic Control

Based on detailed stratigraphic logging of the volcanic lithologies and their spatial relationship with mineralization it is interpreted that host-rock lithology acted as t a secondary control on the localization of portions of the main mineralized shoots. This is evident where Zone 1b style high grade mineralization is restricted to the more competent, moderately welded Rhyolitic Vitric quartz eye ash tuff (VfTvxq) uni.

Structural Control

The interaction of the respective orientations of the Bonanza Fault with that of the cross cutting fracture corridor is interpreted to have potentially created the enhanced dilationary setting within which the enhanced development of the mineralized shoot was created.

7.4 Structure

7.4.1 Bonanza Fault

The main Au-Ag mineralization defined to date at the Cap-Oeste project area gold-silver mineralization occupies an approximate 800-m strike length within and immediately adjacent to the curvilinear, northwest (310-320º) trending Bonanza Fault.

The fault dips moderately to steeply (50-70 º) to the southwest and has been defined by mapping and drilling over a strike extent exceeding 5 km.

The relative displacements of individual stratigraphic units across the Bonanza Fault suggest a normal displacement of the southwestern (i.e. hanging wall) block of at least 180 m down the plane of the fault (i.e. throw of 150 m and heave of 70 m). On a macroscopic scale, indicators of normal displacement include the interpreted fault drag deformation of the hangingwall units adjacent to the Bonanza Fault.

7.4.2 Cross Cutting Fracture Corridor

Outcrop mapping between Sections 9925-9975N in the immediate hangingwall to the Bonanza Fault has defined two prominent main fracture trends characterized by 10-50cm spaced, narrow (0.5cm-2cm wide), planar, limonitic silica veinlets and hydrothermally brecciation (Figure 7-12). One of the fracture sets occurs parallel to the Bonanza Fault and is interpreted to have formed in response to movement along the latter. The other is interpreted to correspond to a cross cutting fracture set dipping 80-90º towards 185-195° (Figure 7-13). The intersection of these fracture trends is interpreted to have spatially controlled the development of the dominantly WNW plunging mineralized shoots along the plane of the Bonanza Fault explained above.

The gold mineralization occurs in a pipe-like ore shoot that plunges to the NW and is associated with a strong chargeability anomaly. From plans and sections drawn up from the extensive drilling of the deposit there is no apparent change in dip or strike of the Bonanza structure to explain the control of the ore body. This either means that the mineralization occurs at the intersection of the Bonanza Fault with a second structure and/or that the mineralization has been truncated by post-mineralization movement along the reactivated Bonanza structure.

The presence of fine WNW trending (100-120°N) fractures and minor veining in the hangingwall of the Cap-Oeste ore body indicate that the Patagonia Gold model of ore body control at the intersection of the Bonanza fault zone and a WNW-trending structural corridor is the best explanation and a predominant NNE dip of the WNW structures explains why the ore body plunges to the NW (Starling 2011).

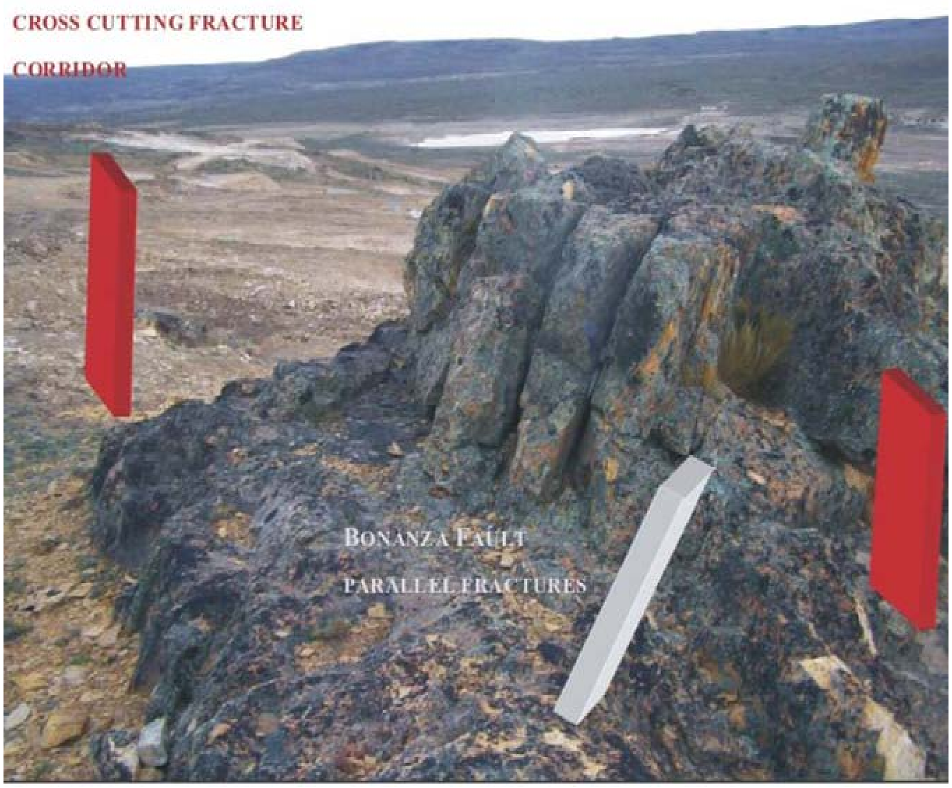


Figure 7-12
Outcrop Photo of the Cross Cutting Fracture Corridor (Looking Northwest)

Figure 7-13
WNW trending tensional sulfide bearing veining splaying off a sinistral NW Fault (after Starling 2011)

7.4.3 Esperanza Fault

Mapping and drilling peripheral to the main mineralized zone has defined a second, subparallel structure located some 220 m to the southwest at surface, referred to as the Esperanza Fault. This fault dips steeply (75-85°) to the northeast and is characterized by a semi-planar, 2 to 20 m wide zone of faulting and fracturing that includes narrow 1 to 2 m wide zones of hydrothermal crackle-and matrix-supported brecciation. This structure has been mapped and intersected by drilling over a strike distance of approximately 1,500 m and has returned high grade gold results at depths below 250 to 300 m below surface (100 m to 150 m RL).

The displacement of the lithologies on either side of the Esperanza fault appear to have undergone approximately 80m of down dip displacement in which the eastern hangingwall was downthrown to the east.

7.4.4 Interpreted Structural Setting

The inclination of the Esperanza fault with respect to that of the Bonanza Fault, the repetition of the stratigraphy in the foot wall and hanging wall blocks of the former and the differential amount of respective indicated displacement along the Esperanza and Bonanza Faults (i.e. 80m versus 180m) suggests that this structural pair bound a northwest trending half graben, approximately 220 meters wide at surface (Figure 7-3 and 7-4).

As part of this hypothetical fault array, the Esperanza Fault could comprise the subsidiary, antithetic structure to the main Bonanza fault for which movement along the latter potentially preceded movement along the Esperanza Fault. This would explain how the volcanic stratigraphy in the hangingwall to both the Esperanza Fault and the Bonanza Fault remained subhorizontal (in SE-NW section) during differential movement along the respective faults.

Both from the intersection of the respective Bonanza and Esperanza fault planes in drilling, and the extrapolation of the respective fault planes below the level for which drill information exists, it is interpreted that the graben floor (or the line defined by the intersection of the two fault planes) would comprise a lineation that plunges approximately 10 ° towards azimuth 320º (i.e. a generally flat lineation oriented along the strike of the structures). This intersection has been interpreted from drilling to date between Section 9950 N and Section 10150 N to occur at approximately depths of 80 m RL and approximately 125 m RL (approximately 300 m below surface), respectively.

No kinematic indicators (e.g. slickensides) have been observed to indicate the direction of movement along either the Esperanza or Bonanza Faults, although observations on a more regional scale suggest a component of oblique movement is possible.

In addition, correlation of individual units within the hangingwall portion of the volcanic stratigraphy (i.e. that to both the Esperanza and Bonanza Faults) between sections 9950- 10150N indicate a consistent shallow (13º) dip of the hangingwall package to the NW along the axis of the proposed half graben and on individual sections, shallow tilting to the NE (approximately 5º).

Based on these orientations it is interpreted that the gentle inclination of the Bonanza Fault hangingwall block along the graben axis is possibly due to a 'scissor' or 'hinge' style normal faulting which pivoted down to the northwest from a point to the SE along the axis of the half graben, and a minor component of NE side down rotation in the hangingwall block relative to the Bonanza Fault.

Given the different geometrical intersection array between the cross cutting fracture corridor and the Esperanza Fault compared to that of the former and the Bonanza Fault it is considered probable that the resultant plunge of any significant, mineralized shoot along the Esperanza Fault will be steeply plunging to the east southeast (i.e. 80º to azimuth 105º).

An illustration of the interpreted geometries of the various structures discussed above is presented in Figure 7-14.

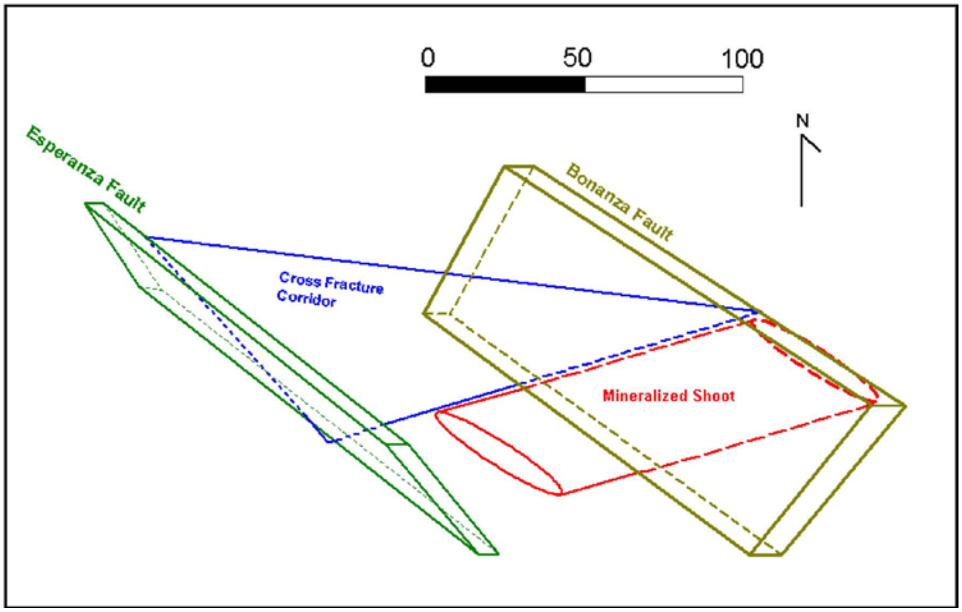


Figure 7-14
Schematic of Interpreted Fault Geometry and Control of Mineralization at the Cap-Oeste Deposit

8.0 DEPOSIT TYPES

Exploration by PGSA at Cap-Oeste is focused principally on discovery and delineation of low sulfidation, Au-Ag epithermal mineralization of the type well documented throughout the Deseado Massif [e.g. White and Hedenquist (1990 &1994), Corbett, G.J. (2001) and Sillitoe, R.H. (1993)]. Mineralization typically comprises banded fissure veins and local vein/breccias characterized by high Au and Ag contents and ratios of Au to Ag generally greater than 1 to 10. Mineralized veins and breccias consist of quartz (colloform, banded, and chalcedonic morphologies), adularia, bladed carbonate (often replaced by quartz), and dark sulfidic material termed ginguro (fine grained electrum or Ag sulfosalts banded with quartz). Discrete vein deposits develop where mineralizing hydrothermal fluids are focused into dilatant structures, producing ore shoots which host the highest precious metal grades. Low sulfidation style mineralization can also develop where mineralizing fluids flood permeable lithologies to generate large tonnage, low grade disseminated deposits (e.g. Round Mountain, Nevada; McDonald Meadows, Montana)

Studies of alteration patterns and fluid inclusion data show that precious metal precipitation generally occurs between 180 to 240 degrees Celsius, corresponding to depths 150 to 450 meters below the paleosurface (Figure 8-1). Deposits often exhibit a top to bottom vertical zonation:

- Precious metals poor, paleosurface, sinter (Hg-As-Sb).
- Au-Ag-rich, base metal poor “bonanza zone” (Au-Ag-As-Sb-Hg).
- Ag-rich, base metal zone (Ag-Pb-Zn-Cu).
- Barren pyritic root.

Alteration accompanying low sulfidation epithermal mineralization is controlled by the temperature and pH of the circulating hydrothermal fluids and its distribution therefore can also be spatially zoned. Alteration minerals that occur proximal to mineralization include illite, sericite, calcite and adularia whereas smectite and chlorite typically occur in a more distal setting. Additional variants include pervasive silicification of wall rock as envelopes to quartz veins and breccias, and advanced argillic alteration (alunite, jarosite, kaolinite, vuggy silica) in steam heated horizons at higher structural levels (Figure 8-1).

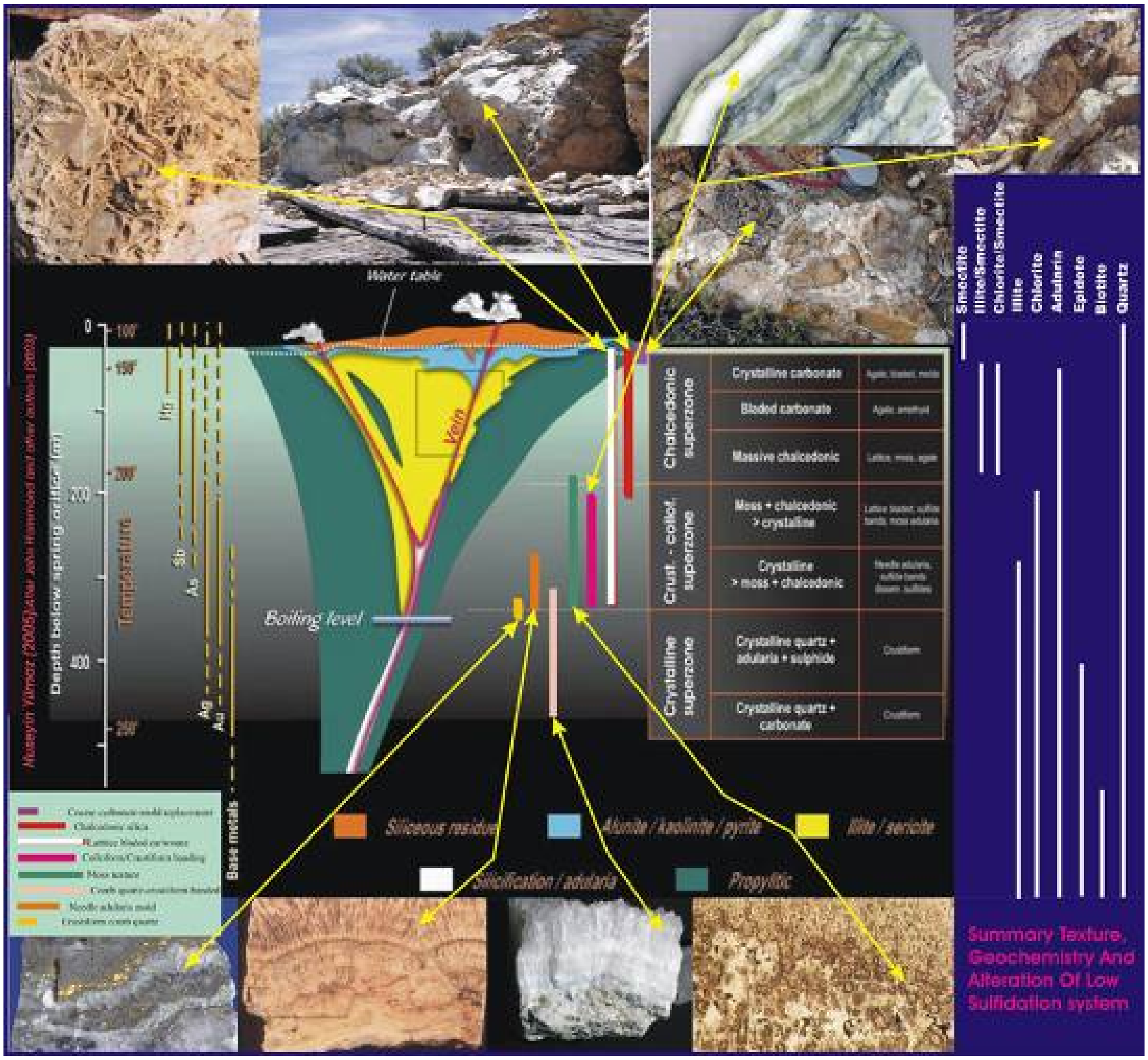


Figure 8-1
Geochemical Zonation, Quartz Type and Alteration Patterns of Low Sulfidation Hydrothermal System

Based on observations by R. Sillitoe (2008 & 2009), mineralization at Cap-Oeste is assigned to a shallow epithermal, low sulfidation type of mineralization, specifically:

> *"The presence of fine-grained replacement quartz, widespread illite alteration, abundant marcasite, silver-bearing sulfosalts and late-stage realgar and orpiment combine to confirm that Cap-Oeste formed in the epithermal environment, potentially in relative proximity to the paleosurface. The abundance of arsenopyrite, a sulfide that precipitates under reduced conditions, suggests that the prospect is assignable to the low-sulfidation epithermal category."*

Corbett (2011) attributes Au-Ag mineralisation at Cap-Oeste to be of an intrusion-related, low sulphidation epithermal style, deposited rapidly (quenched) at an elevated crustal setting. While much of the mineralisation is interpreted to have been deposited by rapid cooling of a rising quartz-sulfide ore fluid, bonanza Au grades result from the mixing of rising ore fluids with low pH acid sulphate waters, evidenced by the presence of kaolin in the higher grade ore assemblages (Corbett, 2011).

The PGSA geological staff have observed that mineralization occurs as a result of a fault-localized combination of dominantly hydrothermal breccia and narrow quartz-Sulfide veinlets, rather than as one or more discrete banded quartz veins, as is the typical of deposits elsewhere in the Deseado Massif. In contrast to low-sulfidation systems, high-sulfidation epithermal deposits are commonly replacement bodies, generally localized along or proximal to faults. A high-sulfidation assignation for the Cap-Oeste Project has been ruled out by the neutral-pH illite dominated alteration style and the complete absence of vuggy quartz and associated advanced argillic alteration assemblages.

The above interpretations on the Project mineralogy have formed the basis of the exploration program described in the following section.

9.0 EXPLORATION

9.1 PGSA Exploration Program

Upon signing the purchase agreement with Barrick (February 5, 2007) Patagonia Gold S.A. began exploration activities throughout the El Tranquilo claim block. The initial emphasis was to validate Barrick data for the Breccia Valentina and Cap-Oeste prospect areas, in preparation for the first stage of drill testing in September 2007.

Work completed to 23 April 2012 (CO-352-D) includes:

- Establishment of local grid baseline points at origin- 5000E, 10000N- to allow projection of trench and drill section data on sections perpendicular to the northwest strike of mineralization.
- Geologic mapping at 1:1,000 scale.
- Excavation and sampling of five trenches, (224 meters and 82 channel samples).
- Completion of 80,139.33 meters in 395 drill holes including :
  - 29 RC drill holes (totaling 2,044 meters averaging 66m in depth) and 1,669 samples.
  - 60 holes with RC pre-collar (3,685.60 meters of RC) and HQ DDH tail (7,503.83 meters, with 5,008 samples)
  - 306 HQ diamond drill holes (66,905.90meters averaging 172.92 m in length) and a total of 9,577samples. Three of the diamond holes are twin holes of earlier RC holes: CO-001-R & CO-036-D, CO-009-R & CO-034-D, CO-010-R, and CO-035-D.

  Metallurgical holes-13 HQ diamond drill holes for a total of 373 samples
- Petrographic study of 28 samples in thin and polished sections.
- Visits from internationally recognized geological consultants Greg Corbett (2007, 2011, 2012), Richard Sillitoe (2008 & 2009) and Tony Starling (2011).
- Survey topography with a differential GPS and develop a contour map.
- Survey of all drill hole and trench locations in x, y, and z dimensions with a differential GPS.
- IP/resistivity surveys (7 lines totaling 6.3 line kilometer gradient array; 1 line totaling 1.6 kilometres pole-dipole), Ground magnetic survey (10 lines totaling 13 line kilometres).

9.2 Gridding, Topography and Surveying

Local baseline grid points were surveyed by PGSA with the origin defined at 5000E, 10000N. This grid is tied into the Gauss Kruger Projection and Campo Inchauspe Faja 2 datum coordinate system.

The same equipment was employed to survey trench and drill hole collar locations in addition to providing topographic control. The drill hole collar locations were surveyed with a double frequency (L1 and L2), TRIMBLE Model R4 differential GPS which generally gives precision of X=1 cm, y=1 cm and Z (altitude) =2 cm.

Topographic control was facilitated with the collection of coordinate and altitude data on a 5 by 5 meter grid spacing over a 450-ha area from which the data points were subsequently contoured using triangulation parameters.

9.3 Trenching

By May 2007, five trenches totaling 224 meters were mechanically excavated by PGSA (PGTR_12 to PGTR_16; Figure 9-1). Trenches PGTR_12 to PGTR_14 were excavated adjacent to Barrick's original trench TR-4 along 50-meter spaced lines and PGTR_15-16, were excavated 550 meters and 750 meters respectively to the northwest.

The most significant precious metals values reported from trench PGTR_14, which returned 37 meters @ 0.52 ppm Au (0.2 ppm Au cutoff), including 8 meters @ 5.77 ppm Au and 17.3 ppm Ag (2.5 ppm Au cutoff).

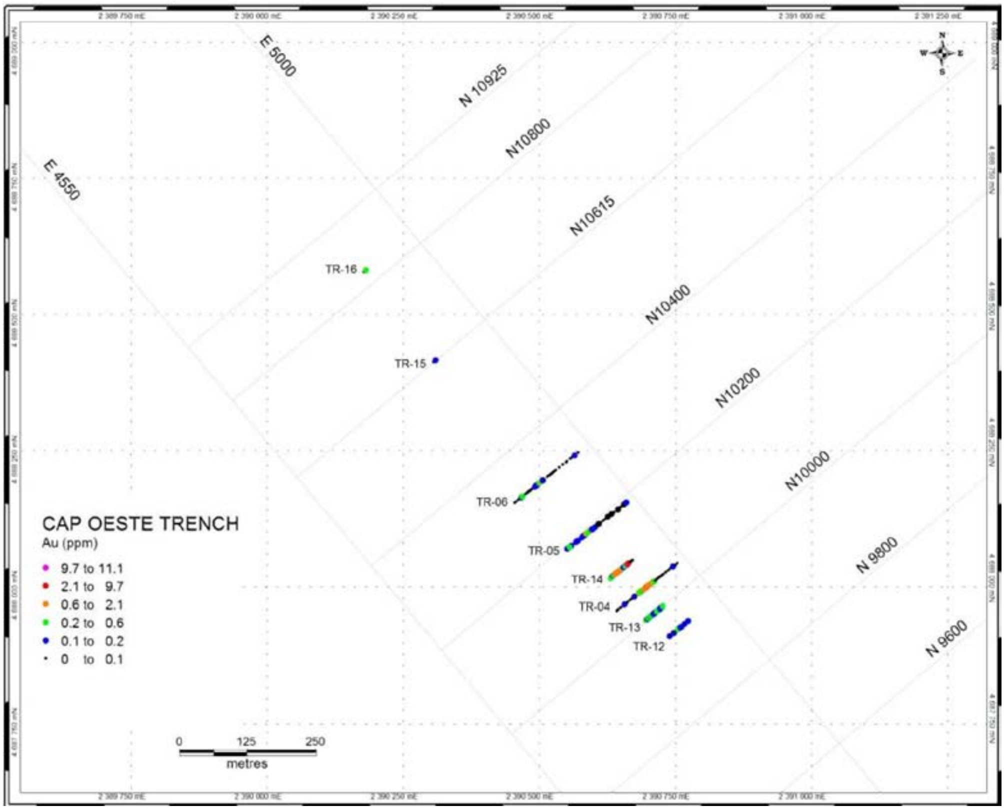


Figure 9-1
Cap-Oeste Trench Locations

Trench locations were laid out with Brunton compass and hand-held GPS. Topsoil removed by the backhoe excavator was stockpiled separately for later backfilling, and trenches were subsequently excavated down to bedrock to a maximum depth of three meters. The trenches were then cleaned and two parallel, five-cm by five-cm slots were mechanically dry sawn, cleaned, and sampled. Trench sampling and logging were carried out under the supervision of PGSA geologists; sample intervals were generally marked using a measuring tape following geological criteria (e.g. zones of similar mineralogical/geological features). Sampling of the trenches comprised chipping between the two sawn slots with hammer and chisel to the limits of marked sample intervals and placing the broken material in plastic sample bags. Each sample bag is tagged and staple sealed and subsequently transported back to the base camp where each sample was weighed and recorded for final laboratory dispatch. Final surveying of the trenches position was completed by a qualified surveyor.

9.4 Geophysics

Based on the observed correlation of precious metals mineralization with disseminated sulfides and varying degrees of silicification, and the effective application of regionally spaced, pole-dipole IP surveying by Barrick Gold, both pole-dipole array and gradient array geophysical surveys were applied as tools for the detection of additional concealed mineralization. Baseline ground magnetic data were also collected in hopes of mapping fault-related displacements within the volcanic stratigraphy.

9.4.1 Pole-Dipole Induced Polarization

Pole-dipole IP surveys were completed by Barrick Gold along a 1600 meter portion of local grid section 9950N between 4100 E and 5700E, across a well-defined, mineralized section. The survey was performed with dipole spacing of 50 meters expanded through 6 separations (n=1 to 6). The chargeability anomaly which occurs broadly in the centre of the test survey line correlates with the occurrence of up to 10 percent sulfide below the level of oxidation, within the Bonanza Fault and its immediate footwall rocks.

Figure 9-2 depicts pole-dipole chargeability survey results by Barrick along Section 9950N. The inverted section (lower) shows the survey results with geological and drillhole information overlaid. Note apparent correlation of the principal zone of chargeability (magenta-red) with the footwall to the Bonanza Fault structure.

A zone of high apparent resistivity is offset slightly to the west of the conductivity anomaly (Figure 9-3); this is interpreted as due to the presence of silicified breccias within the mineralized envelop, augmented by greater degrees of silicification within the vitric tuff unit.

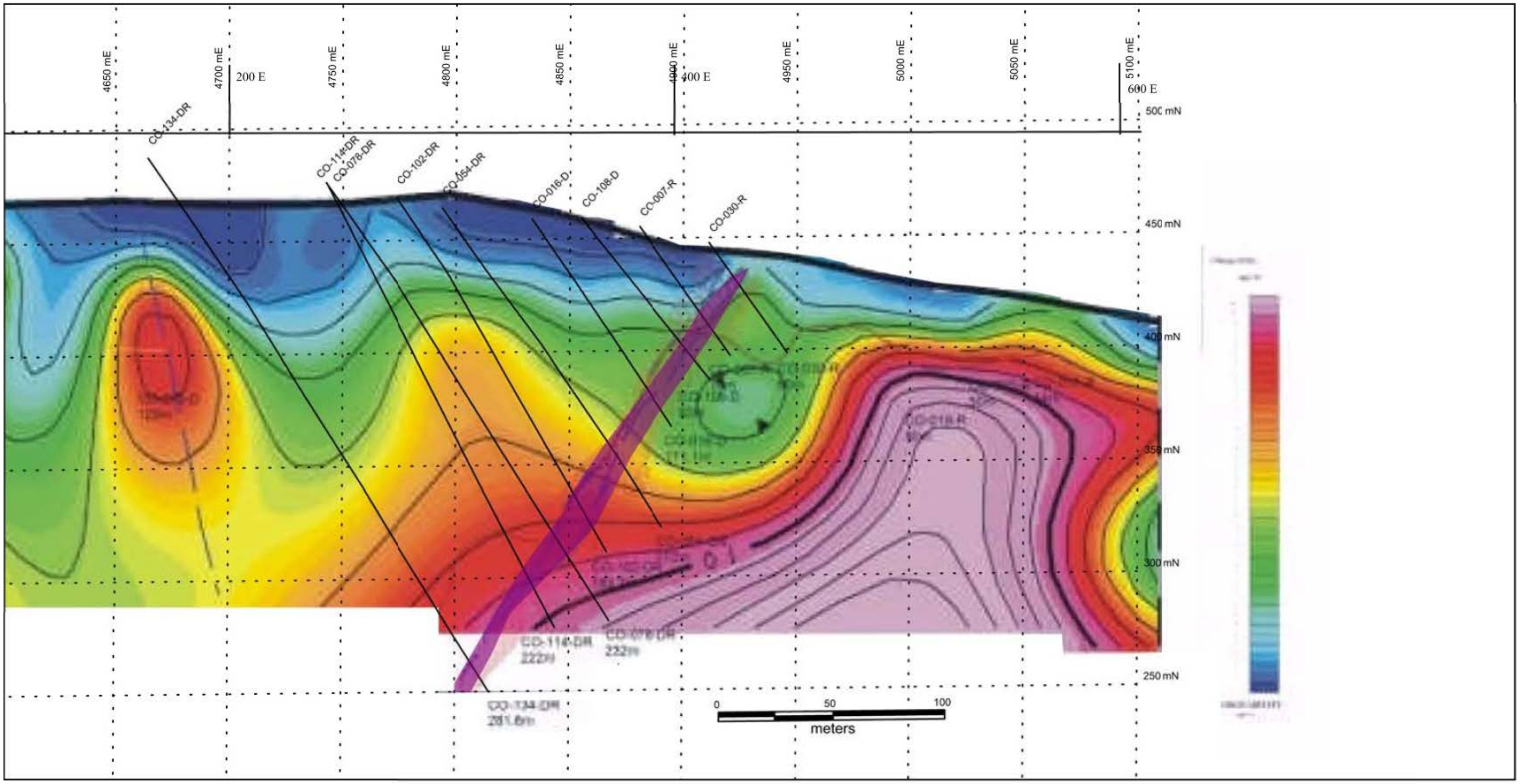


Figure 9-2
Pole-dipole Chargeability Inversion (Section 9950 N) with superimposed drilling, faults and mineralization. Chargeability high appears to reflect sulfide-rich Bonanza Fault and associated footwall alteration (Source: PGSA, 2011)

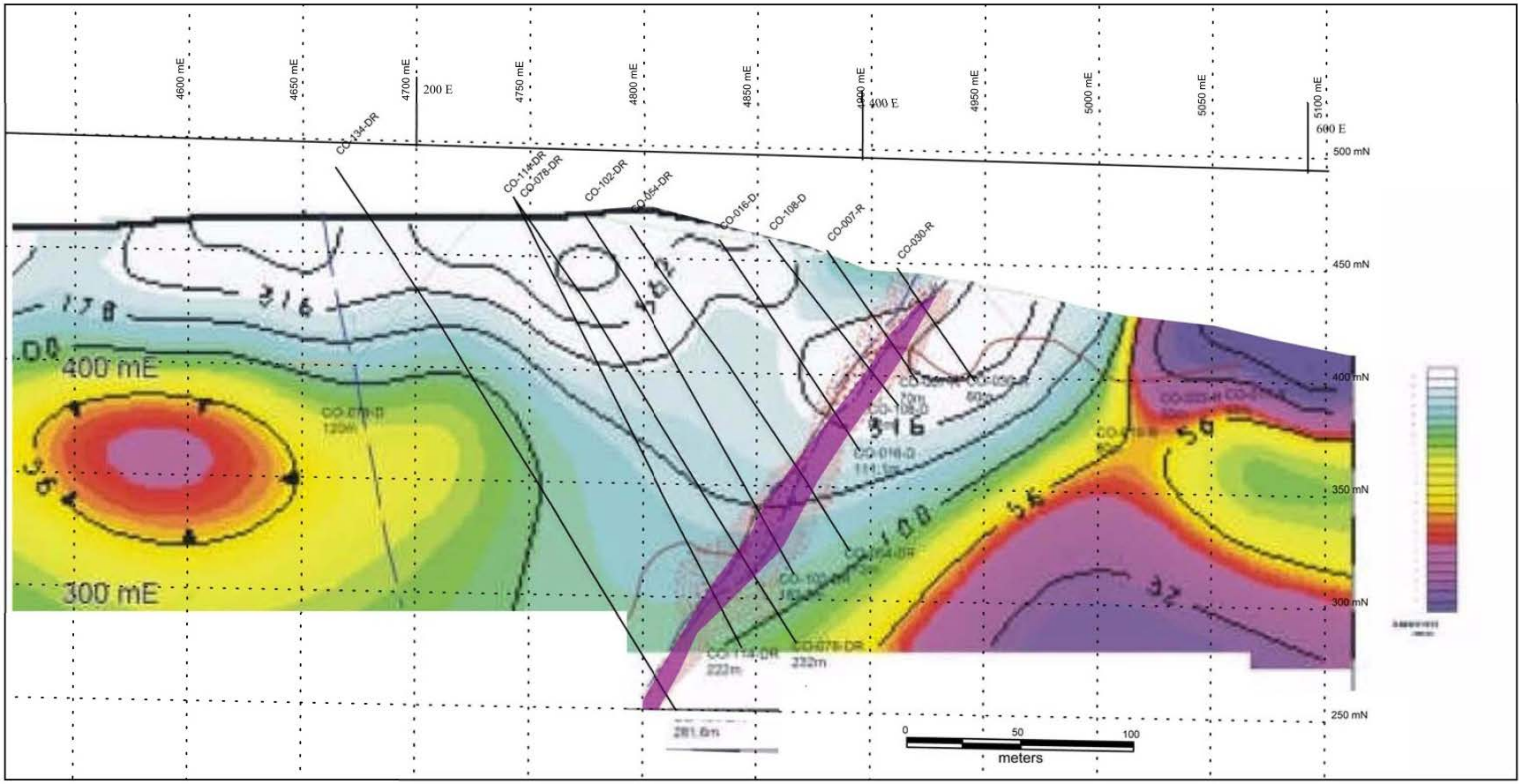


Figure 9-3
Pole-dipole Resistivity Inversion (Section 9950 N) with superimposed drilling, faults and mineralization. High resistivity reflects silicification within the Bonanza Fault
(Source: PGSA, 2011)

9.4.2 Gradient Array Induced Polarization

Gradient array IP surveying using 25m spaced dipole spacing was conducted by Barrick along 100-meter spaced lines over the entirety of the project area. The gradient array data is presented as plan maps of total chargeability and apparent resistivity (Figures 9-4 and 9-5); both are draped with surface geological data and drillhole locations.

Coincident, northwest trending chargeability and resistivity anomalies are evident in these plots which mirror the strongest mineralized zone between Sections 9800N and 10350N. Peak chargeability is broadly coincident with the southwest dipping Bonanza Fault. Towards the northwest the anomaly resolves into sub-parallel anomalies which are coincident with the mapped traces of the Bonanza and Esperanza Faults.

Peak resistivities are interpreted to reflect the combined effects of silicification along the bounding faults and relatively higher resistivities within the vitric tuff unit mapped within the northwest trending graben. As is the case for conductivity, resistivity anomalies resolve into discrete, linear zones to the northwest of the strongest mineralization, presumably reflecting silicification along the main graben-bounding faults.

9.4.3 Ground Magnetic Surveying

Baseline ground magnetic surveying was carried out by Barrick, utilizing 10-meter spaced points along 100-meter spaced, 1-kilometer long lines throughout the southeastern portion of the project area. Overall this method was only moderately effective at defining structures using these survey parameters.

9.5 Petrography and Computed Axial Tomography

A suite of 28 samples was selected by PGSA from HQ drill core and shipped to a petrology consultant in Australia for preparation and petrographic analysis. In addition, two core samples, representative of both oxidized and un-oxidized mineralization types, were studied using computed axial tomography (CAT scan) at the Department of Mineralogy of the Natural History Museum, London, UK. The analysis of the samples mentioned above was used to help define the mineralogy found on the Project, and is discussed further in Section 7.3.2, Property Mineralization, under the Mineralogy and Paragenesis heading.

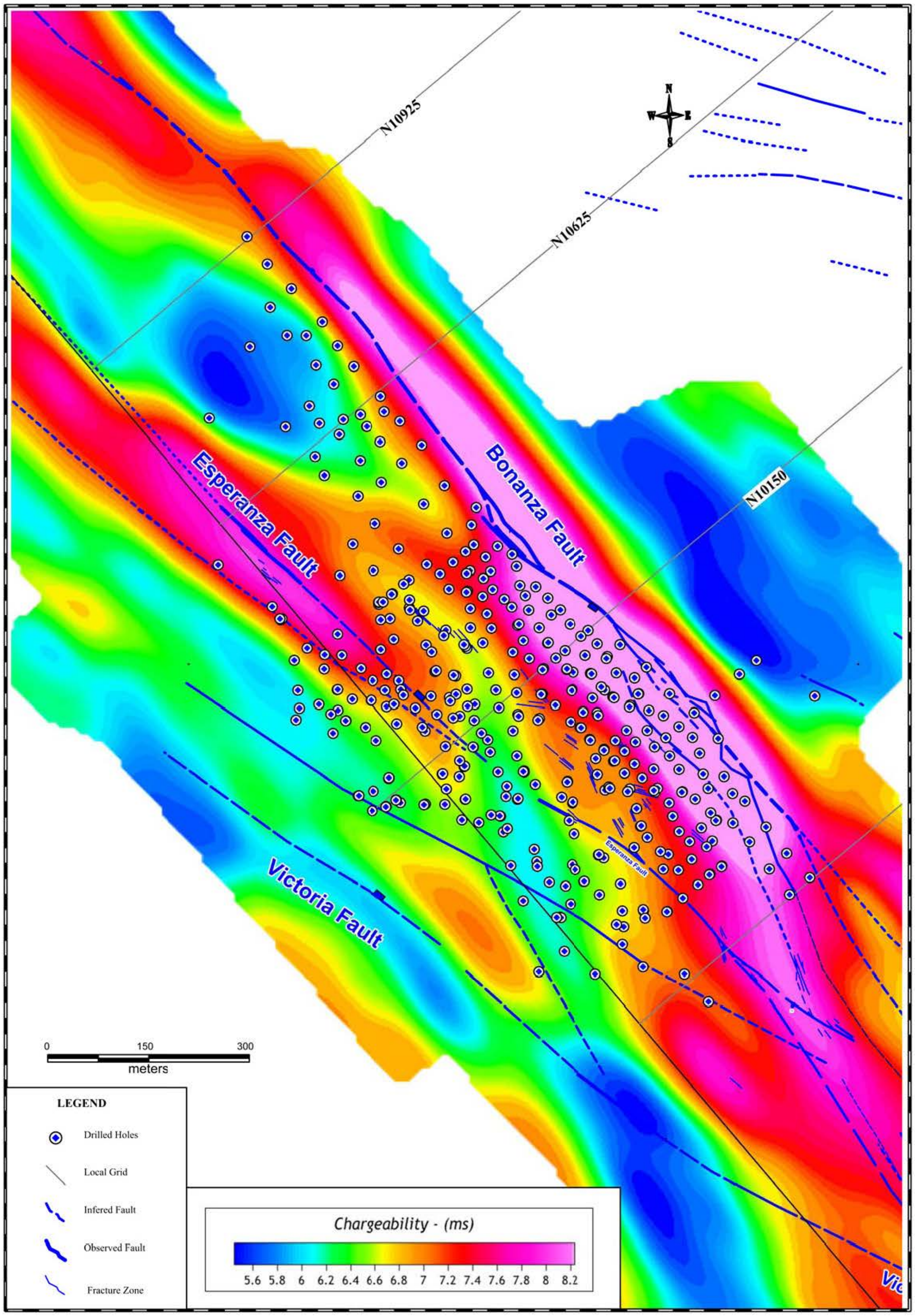


Figure 9-4
Gradient Array Chargeability Plan Map
(Source: PGSA, 2011)

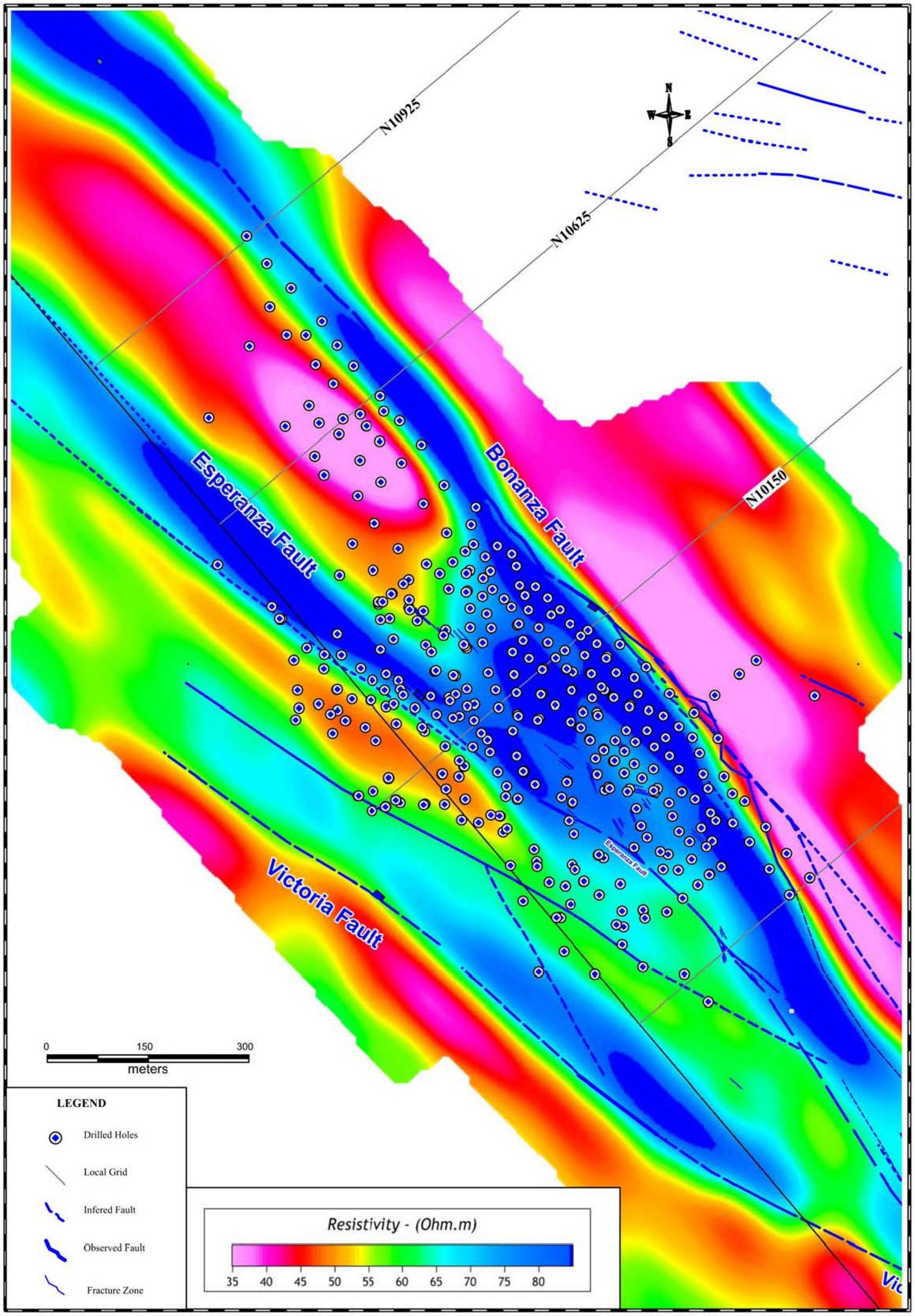


Figure 9-5
Gradient Array Resistivity Plan Map
(Source: PGSA, 2011)

9.6 Exploration Potential

9.6.1 Cap-Oeste Project Area

Based on interpretation of exploration results to date, CAM believes moderate to good exploration potential remains within the immediate resource area:

- Drilling between and along strike of ore shoots. Although additional, infill drilling within the resource area will be limited in extent, due to the high density of the current drill pattern, some further work is recommended, particularly seeking down plunge extensions to mineralized shoots. The very high grades and small footprint of the COSE deposit encourage the notion that similar mineralization could l occur along extensions of the Bonanza Fault, particularly in those areas with marked variations in strike and which exhibit crosscutting subsidiary structures.
- Drilling for extensions to the broad zone of sheeted to stockwork mineralization which has been discovered near the intersection of the Bonanza and Esperanza Faults, at a depth of approximately 300 meters below surface (125 m RL).
- Drilling to delineate discrete zones or shoots of economic precious metals within the relatively unexplored Esperanza Fault. Narrow intercepts of chalcedonic veinlets with high grade precious metals are known to occur along the fault (e.g. DDH CO-166-D; 1.1 meters @ 435 g/t Au, 1006 g/t Ag).

9.6.2 Regional Targets

Exploration outside the Cap-Oeste deposit consists of trenching, rock chip sampling, geophysical surveys and drilling (39,673 meters total of which 19,794 meters have been drilled on the COSE deposit) spread between nine prospects between 2007 and April 2012. As discussed above in section 7.3.1 , this work has delineated significant additional mineralized occurrences within the Cap-Oeste structural corridor, the adjacent Breccia Valentina and Vetas Norte trends and regionally, further to the southeast along strike from these trends. CAM is of the opinion that further discoveries will be made in these areas, utilizing the proven combination of surface prospecting, ground geophysics, and drilling.

10.0 DRILLING

10.1 Introduction

Drilling of RC and diamond holes (DD) at Cap-Oeste has been carried out in four separate campaigns under contract by Patagonia Drill S.A and Major Drilling S.A. (October through to June, 2008), Major Drilling S.A. (October, 2008 to May, 2009) and Major Drilling S.A (January, 2011 to present date) utilizing truck-and track-mounted Universal UDR 650 rigs, respectively.

Both Patagonia Drill and Major Drilling conducted the drilling in the first campaign (October, 2007 to June, 2008) and then only Major Drilling conducted the drilling in the second, third and fourth campaigns (October, 2008 to June, 2009 and January, 2011 to current date).

Drillhole naming adopted the following nomenclature:

- *Project*- prefix CO (Cap-Oeste)
- *Hole Number* -(3-digit number)
- *Hole Type* - suffixes of R (RC) or D (DDH) – where a DDH hole was pre-collared by RC the hole suffix is DR

  For example: CO-016-DR is Cap-Oeste diamond drillhole #16 with RC pre-collar
- *Abandoned/re-drilled Holes:* In the case where a drill hole deviated significantly or encountered bad ground conditions and was subsequently abandoned and re-drilled from surface the number of the new hole was the same but the suffix of the new hole included a ‘A’ or in the case of subsequent re-drilling ‘B’ e.g. Abandoned hole CO-152-D replaced by CO-152A-D and subsequently CO-152B-D.

Figure 10-1 shows drillhole locations throughout the project area to 23 April 2012.

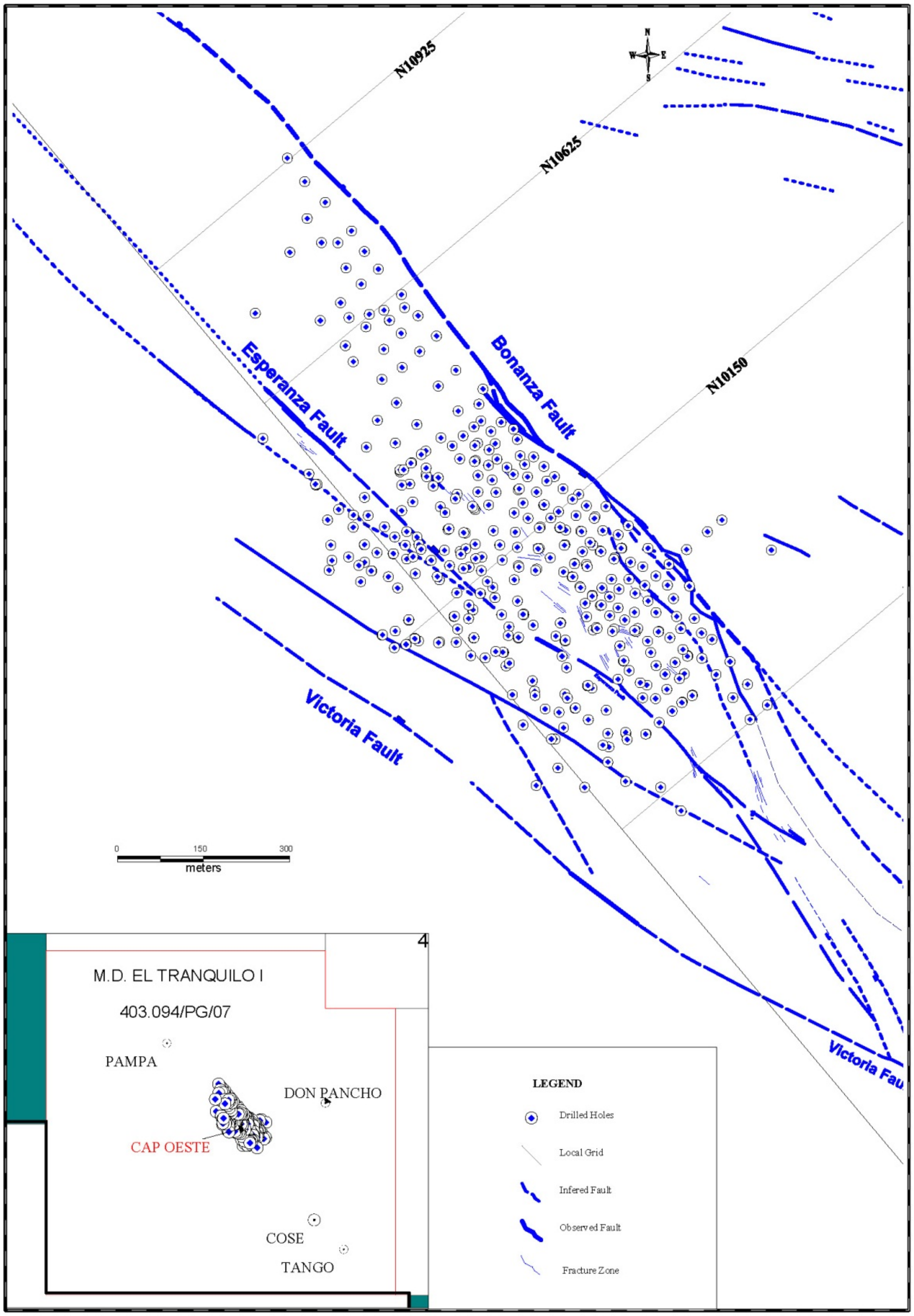


Figure 10-1
Cap-Oeste Project Drill Hole Collars to Hole CO-300
(Source: PGSA, 2011)

10.1.1 October 2007- June 2008 Drill Campaign

A first tranche of RC drilling, designed to test the strongest zones of mineralization as defined by trenching, commenced in October 2007 along 50-meter spaced centers (CO-001-R to CO-010-R).

Encouraging results led to the continuation and expansion of the program during 2008, specifically:

- The use of diamond drilling in preference to RC drilling through the deeper (greater than 40 meters down dip) projected zones of mineralization. This was based on the relatively high water table, the silica-poor, clay-sulfide-rich character of mineralization, and resulting concerns over RC recoveries and ability to obtain representative samples.
- Twinning of first stage RC holes with DDH to check influences of wet sample intervals and low recoveries on grade bias (Three of the diamond holes are twin holes of earlier RC holes namely CO-001-R & CO-036-D, CO-009-R & CO-034-D, CO-010-R, and CO-035-D).
- Drill testing along the entirety of the strike length of the breccia/fault zone identified by trenching and zones extrapolated under areas of post mineral cover between previous drill sections.

Most drill holes were collared on 50-meter spaced sections 050 degree azimuths and with inclinations between -50 and -70 degrees (Figure 11-1). This configuration was designed to intersect the southwest dipping mineralized zone as perpendicularly as possible with increasing depth. One hole CO-079-D was drilled towards 230 degrees GK grid (i.e. Local Grid west), in order to intersect the Esperanza Fault.

10.1.2 October 2009- May 2009 Drill Campaign

From October, 2009 to May, 2009, emphasis was placed on further infill delineation of the Main Shoot with 20 to 25-m spaced drill holes planned to be completed on 25-m spaced sections and further definition of the down plunge extension of the shoot to a depth of approximately 325m below surface (i.e. 100 m RL), through a series of 3 to 5 step-out holes on selected sections.

Initially, the step-out holes were generally drilled with RC pre-collars to the approximate depth of the water table or to a point before the start of the interpolated depth of possible mineralization, after which the universal drill rig was converted to complete the drill hole using conventional coring equipment. During the infill stage drilling between January, 2009 and May, 2009 it was considered that drill hole deviation was best controlled by drilling with conventional core drilling equipment for the entire length of the drill hole.

10.1.3 January 2011 – April 2012

From January 2011 to August 2011, an infill HQ diamond drill program comprising 25m spaced holes was conducted in order to primarily further delineate the oxide mineral resource between sections 9775 – 10400N, down to approximately 300m RL.

From August 2011 to April 2012, infill HQ diamond drilling and exploratory holes were drilled to further delineate the sulfide mineral resources and newly- discovered, deeper shoots between sections 9775 – 10750N, down to approximately 50m RL.

The drill collar information for the Cap-Oeste deposit contained within the drillhole database as of 23rd April, 2012, is presented in Figure 10-1.

10.2 Diamond Drilling Methods

Drill hole collars were initially located using a hand-held GPS, in addition to triangulation from adjacent previously drilled and surveyed collars. For each drill hole, the direction of drilling (azimuth and inclination) at each collar was defined by PGSA geologists using a Brunton or Suunto compass.

Diamond drilling was carried out on a 24-hour basis using 12-hour, day and night shifts during which PGSA trained technicians were on site at all times in order to record drilling activities in a Drill Log sheet (e.g. drilling, reaming time, additives, core recovery, rock quality density, down hole survey information) and supervise the extraction of the core from the diamond core barrel and placement into the core cradle. Permanent radio contact was maintained between the PGSA technician at the drill site and the PGSA geologists at base camp.

All diamond drilling was of HQ diameter and utilized a 3-m core barrel where ground conditions permitted. In only two cases the hole diameter had to be reduced to NQ size (CO-147A-D and CO-189-D). For diamond drilling conducted from January, 2009 to present, the use of a core barrel sleeve tube (HQ3) was implemented prior to entering the zone of interest in order or to maximize the recovery and rock quality of the drilled interval.

Water utilized for drilling was sourced from a series of spring-fed pits excavated in the northeastern portion of the project area within a 2 km distance from the project area. No orientated core surveys were carried out during diamond drilling due to the generally fractured state of the rock.

Daily site visits, which collectively comprised several hours onsite time, were made by the PGSA geologist / project geologist for review of drilling progress, drill planning and quality control.

During the drill campaigns conducted up until December 2008, down hole surveys were generally taken by the drill contractor every 50 meters upon termination of each drill hole utilizing either a Eastman single-shot camera (in the case of Patagonia Drill) or a digital, multishot, FLEXIT down hole survey tool (in the case of Major Drilling). In the case of the single-shot camera a downhole photo was produced at the respective depths and in the case of the FLEXIT the hole inclination, direction (azimuth), magnetic field strength, gravity roll angle, magnetic tool face angle and temperature were recorded.

Depending on the presence and depth of casing in each hole, collar survey photos were generally taken to within 5 to 10 meters of the collar. Each photo or series of drill hole orientation surveys were reviewed by both the drill contractor and the PGSA field technician on site, and subsequently recorded in both the drill contractors log and the respective section on the PGSA Drill Log sheet by the PGSA field technician.

During the drill campaigns conducted from January 2011 to April 2012, which predominantly comprised the drilling of the deeper infill holes, each hole was surveyed at 25m intervals from the collar to a depth of 100m after which the survey intervals were increased to 50m intervals to the end of each hole. Holes that were found to be deviating significantly over the first 50m (i.e. more than 2 degrees inclination and or azimuth) were re drilled (e.g. a total of 42 holes including CO-128A-D, CO-133A-D, CO-135A-D, CO-137A-D, CO-143A-D, CO-147A-D, CO-152A-D, CO-152B-D, CO-163A-D, CO-165A-D, CO-165C-D, CO-167A-D, CO-167B-D CO-169A,D, CO-171-D, CO-188A-D, CO-192A-D, CO-198A-D, CO-208A-D, CO-212A-D,CO-219A-D, CO-236A-D, CO-238A-D, CO-239A-D, CO-241A-D, CO-242A-C, CO-243A-D, CO-272A-D, CO-272B-D, CO-274A-D,CO-CO-286A-D, CO-294A-D, CO-296A-D, CO-296B-D, CO-297A-D, CO-322A-D, CO-324A-D, CO-325A-D, CO-342A-D, CO-342B-D, CO-351A-D subsequently CO-351B-D).

For several of the holes drilled during April-May 2009 PGSA rented a FLEXIT MultiSmart™ multishot downhole surveying tool in order to check the accuracy and precision of the downhole survey camera used by Major Drilling and to resurvey several holes drilled/surveyed in previous campaigns. This tool was used to survey the holes on completion at 50m intervals the results of which were then compared to the original surveys conducted by Major during the drilling of the hole. Overall, very close correlation was achieved between the readings taken by the two individual cameras.

Examination of the survey data shows that, overall, there exists a consistent tendency for the diamond drill holes to deviate clockwise to the south east averaging between 2° and 6° over the course of 300 m. Although generally the inclination of the drill hole remained true throughout drilling of each hole, additionally there exists a tendency for the holes to drop in inclination of between 1° and 3° over similar hole lengths.

Following termination of each hole, the collars were marked clearly and permanently with capped PVC tubing cemented in a square concrete base. Following the completion of drilling, the collars were surveyed by a qualified surveyor utilizing a differential GPS.

10.3 Drill Core Logging

Core logging was carried out at Estancia La Bajada, which is situated approximately 5 kilometres from the Cap-Oeste Project area. Based on detailed geological mapping completed prior to the drill campaigns, a set of lithology, alteration, and mineralization codes were established and the logging methodology defined in order to standardize nomenclature amongst the geologists involved in the project. Geological information recorded during logging included:

- Lithology- rock type, grain size and composition;
- Alteration- mineral identification, especially type and intensity of clay and silicification;
- Structure – measurement of structural elements relative to the core axis;
- Mineralization type- breccia types, vein composition and widths, sulfide species and concentrations; and
- Oxidation–degree of oxidation of rock by weathering including oxidized/partially oxidized (transitional) and unoxidized.

High resolution digital photographs of each core box were taken by PGSA technicians and are stored as a virtual core library in the PGSA drilling database. The logging process as conducted by the geologist involved the definition, marking and numbering of sample intervals on the core and core boxes; sample intervals were based on the above geological criteria in preference to meter by meter sampling. As a broad guide, minimum and maximum sample intervals of 0.5 and 1.5 meters were utilized according to the sampling protocol displayed in Figure 10-2. Exceptions to this rule were applied in zones of very low recovery where in rare cases several consecutive down hole meter intervals were composited in order to provide a critical mass of core material for analysis.

All the graphical and coded logs were recorded on paper log sheets at a scale between 1:100 and 1:200, depending upon the intervals of interest, in addition to the sample intervals and sample numbers defined by the PGSA geologist. This information was subsequently entered digitally by PGSA technicians into a access database and validated by both the PGSA technician and the geologist. All geological logging information was recorded on sectional plans on a continual basis in order to allow ongoing interpretation of the lithology and mineralization and compilation of a daily summary for PGSA management.

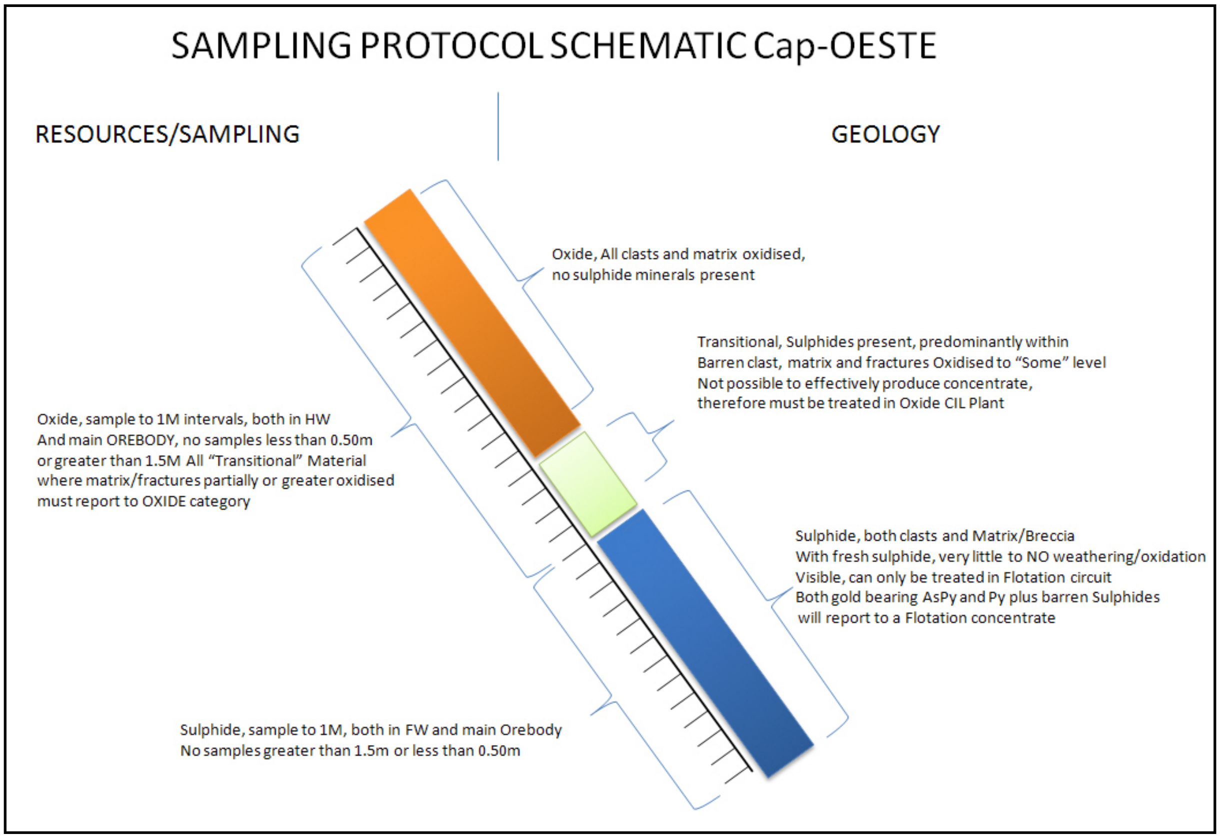


Figure 10-2
Cap-Oeste Sampling Protocol for Oxide-Transitional and Un-Oxidized Mineralization

10.4 Reverse Circulation Drilling Methods

RC drilling was conducted on a 12-hour per day basis, during which the entire drilling and sampling process was supervised by a PGSA geologist on site. As stated previously, due to generally high water table levels and emphasis on achieving good sample quality all RC drilling subsequent to hole CO-010-DR was limited to the top of the water table, and thereafter diamond drilling was used.

During RC drilling, a 5¼-inch face return hammer was utilized and a PVC tube and sealed dust T-box was installed at the collar with which to channel dust away from the drill area and prevent caving around the mouth of the hole. Individual 1-m intervals were clearly marked on the drill mast which acted as a guide for the drilling contractors in sample collection. Subsequent to each six meter rod change, the hole was routinely conditioned and cleaned prior to the placement of the bulk sample bag beneath the cyclone for the sampling of the subsequent drill interval.

Logging of sieved washed RC drill chips from each interval was accomplished on-site and contemporaneous with the drilling of each hole. Representative drill chips from individual on meter samples were saved in the respective marked chip trays.

10.5 Results of Drilling

A series of 25-metre-spaced geological sections were generated by PGSA geologists using Mapinfo/Discover GIS software over the length of the Cap-Oeste Prospect area from which interpreted lithological boundaries, zones of oxidation, mineralization and structural features were defined.

A summary of significant drill intersections based on a minimum cutoff grade of 0.5 g/t Au for the Cap-Oeste project area is presented in Table 10-1. The majority of these drill intersections relate to the four higher grade shoots (Shoot A, Shoot B, Shoot C, Shoot E) and to one less well defined northwestern plunging shoots (Shoot D).

As drilling to date has largely been directed to the northeast, intersection of the steeply northeast-dipping Esperanza Fault is limited to only several intervals cut sub-parallel or at a low angle to the core axis. As such, it is believed that the potential of the Esperanza Fault to host significant gold-silver mineralization has not been fully evaluated.

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-001-R	80	10100	44	13	11.78	47.00
	including		50	5	29.28	85.00
	and		65	5	1.40	28.00
CO-002-R	74	10050	23	12	0.74	6.00
	and		48	6	2.36	135.00
CO-003-R	80	10000	11	12	0.65	3.00
	and		57	14	0.44	107.00
CO-004-R	56	10150	24	17	0.69	23.00
CO-005-R	55	10200	33	22	0.70	11.00
CO-006-R	60	10250	12	20	0.81	10.00
CO-007-R	70	9950	47	11	3.14	60.00
	including		49	5	5.79	57.00
CO-008-R	70	9900	40	10	3.65	30.00
	including		41	5	5.80	33.00
CO-009-R	120	10100	73	17	0.69	21.00
CO-010-R	111	10050	74	37	0.77	28.00
CO-011-DR	123.25	10000	103	9.5	2.89	65.00
	including		106.95	4.7	5.23	133.00
CO-012-DR	114	10150	83.6	29.4	0.51	19.00

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-013-D	123	10200	77.3	21.2	0.80	25.00
CO-014-D	111.25	10250	78.3	11.5	0.61	14.00
CO-015-D	117	9900	75.85	14.35	2.38	19.00
	including		75.85	3.15	8.58	28.00
CO-016-D	125	9950	91.95	13.45	11.50	389.00
	including		91.95	3.65	40.28	1,373.00
CO-022-D	62.95	10330	31.15	14.85	0.72	8.00
CO-023-D	68.85	10525	31	7	0.76	1.00
CO-024-D	78.05	10620	39.1	7.7	0.77	4.00
CO-025-D	87	10675	22	9	0.68	2.00
CO-028-R	56	9900	11	20	1.40	18.00
	including		28	2	5.28	16.00
CO-029-R	56	10000	27	5	0.85	173.00
CO-030-R	60	9950	19	10	1.32	18.00
CO-031-R	68	9900	11	11	2.27	2.00
	including		18	3	7.08	1.00
CO-032-R	62	9850	15	5	0.77	1.00
CO-034-D	150.95	10100	77	14.1	1.58	65.00
	including		89	2	6.17	40.00
CO-035-D	146.9	10050	112.7	7.3	1.00	13.00
CO-036-D	108.1	10100	47.1	12.3	14.27	56.00
	including		52.6	5.3	31.61	100.00
CO-043-DR	110	9900	77	7	0.70	49.00
	and		91	12.5	0.74	19.00
CO-044-DR	89	9850	55	5	5.48	33.00
	including		56	3	7.77	12.00
CO-045-D	74	10550	35	11.4	2.27	1.00
CO-050-D	111	10525	65	5	1.21	11.00
CO-051-D	111	10625	79	12	3.20	27.00
	including		81	4.1	5.96	27.00
CO-053-DR	164	9900	120.8	5.2	1.33	128.00
CO-054-DR	172	9950	132	7	48.11	769.00
	including		133.1	2.8	118.43	1,875.00
CO-055-DR	187	10000	160	11.8	2.79	144.00
	including		168.3	2.7	9.28	453.00
CO-056-DR	180	10050	116	18	0.82	49.00
CO-057-DR	170	10100	110.6	30.35	0.58	22.00
CO-058-D	105	10075	57.42	7.28	2.21	355.00
	including		59.03	0.97	6.13	1,968.00
CO-059-D	119	10025	65	22.6	0.56	45.00
CO-060-D	141	9975	88	7	4.01	51.00
	including		89	4	6.15	54.00
CO-062-DR	153	9850	119.9	15.6	1.56	72.00

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-065-DR	173	10200	140.9	30.1	1.59	18.00
CO-066-DR	150	10200	131	11.75	1.63	32.00
CO-067-D	46.5	10100	3	24	1.85	76.00
	including		23	3	5.89	401.00
CO-068-D	56	10125	23	25	0.67	10.00
CO-069-D	97.5	10550	76	9.3	1.18	31.00
CO-070-D	149.5	10625	127	10.2	2.38	178.00
CO-071-D	150	10550	123.1	4.2	1.22	6.00
CO-074-D	117	10700	84	11.7	1.03	32.00
CO-075-D	108	10760	78	5.5	2.33	78.00
CO-077-D	51	10050	6	19	0.83	18.00
CO-078-DR	232	9950	181.65	37.35	1.04	11.00
CO-080-DR	231	10000	161	27	7.95	132.00
	including		170	15.2	13.06	206.00
CO-081-DR	205	10050	156.6	17	2.24	127.00
	including		168.2	3.2	8.41	216.00
CO-082-DR	232	10100	172	6	0.91	32.00
CO-083-DR	192	9900	145.5	5.4	1.39	23.00
CO-084-DR	214	9850	175	31.1	1.24	24.00
	including		179.63	1.82	5.48	143.00
CO-085-DR	225	10200	187	6	1.16	68.00
CO-086-DR	226	10150	193.9	7.1	4.84	208.00
	including		196.1	3.9	7.72	314.00
CO-087-DR	261.83	10250	196.15	9.85	0.87	9.00
CO-089-DR	211	10300	182.35	21.65	1.24	17.00
CO-090-DR	221	10350	192.2	15.3	3.35	20.00
	including		197	2	19.70	15.00
CO-096-DR	137.1	9975	107.25	10.75	3.90	142.00
	including		111.5	1.75	18.60	739.00
CO-097-DR	146.8	9975	132.92	6.8	10.92	1,711.00
	including		132.92	2.62	24.27	3,963.00
CO-098-DR	182.7	9975	153.8	16.9	3.20	157.00
	including		163.7	4	11.19	557.00
CO-099-D	102	9925	80.1	2.3	51.92	618.00
	including		80.1	1.18	100.80	953.00
CO-100-DR	138	9925	112	4	2.24	16.00
CO-101-DR	192	9925	161.2	21.1	1.68	31.00
	including		163.4	1.35	7.89	111.00
CO-102-DR	183.2	9950	154.1	15.4	1.36	27.00
CO-103-DR	221.5	9975	186.25	10.8	2.14	92.00
CO-104-DR	198	10025	171	16.75	5.93	1,716.00
	including		178	9.75	8.87	2,466.00
CO-105-DR	219	10000	186.95	17.8	15.18	157.00

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
	including		193.1	1.9	97.06	111.00
CO-106-DR	186	10025	156	2	3.59	2,493.00
	and		161	8	1.22	154.00
CO-107-DR	210	10050	181	19.6	5.89	246.00
	including		189.7	8.55	11.07	486.00
CO-108-D	92	9959	70.1	9.65	14.59	592.00
	including		70.1	3.9	25.95	595.00
	and		75.5	1.25	26.50	2,478.00
CO-109-DR	150	10000	127.6	11.7	2.30	49.00
	including		136	2.3	6.49	176.00
CO-110-DR	177	9975	152.3	4.2	9.77	1,470.00
	including		152.3	2.08	17.93	2,818.00
CO-111-D	75	9975	53.2	5.3	3.63	800.00
	including		57	1.5	5.21	2,737.00
CO-112-D	60	9925	40.9	4.3	2.30	47.00
CO-114-DR	222	9950	176	1.5	7.66	9.00
	and		194.1	9.1	2.32	39.00
CO-115-DR	84	10125	70.37	9.13	3.00	61.00
	including		78	1.5	13.29	279.00
CO-116-DR	282	10050	258.5	13.15	4.51	98.00
	including		264	5.1	7.90	204.00
CO-117-DR	134.5	10112	110.5	7.3	3.54	31.00
	including		110.5	2.5	7.49	38.00
CO-119-DR	285	10025	258	13.2	14.02	186.00
	including		261	3	29.16	271.00
	and		265	5.3	15.26	270.00
CO-120-DR	180	10125	158	10.1	1.99	109.00
	including		165	1.57	9.06	606.00
CO-121-DR	255	10350	216	2	2.28	19.00
CO-122-DR	239	10150	217.5	4	2.53	187.00
CO-123-DR	282	10075	257.9	16.1	5.92	260.00
	including		257.9	3.1	6.38	487.00
	and		269.57	3.53	12.41	619.00
CO-124-DR	246.7	10175	236.5	4.05	2.05	118.00
CO-125-DR	306	10100	278	10	5.27	860.00
	including		280.5	2.08	18.91	3,990.00
CO-126-DR	324	10050	283	32	2.53	20.00
CO-127-D	255	10000	234.5	13	5.57	853.00
	including		244.6	2.9	17.10	2,696.00
CO-129-D	306.2	10025	278	15.8	5.29	126.00
	including		281	7	8.40	239.00
CO-130-D	291.5	10000	258	14.1	3.58	60.00
	including		268	3	5.38	23.00

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-131-D	338.8	10075	279	24	2.62	23.00
	including		290.5	3	4.79	39.00
CO-132-D	362.5	10050	280.4	32.7	2.86	45.00
	including		281.4	2.75	4.95	215.00
	and		298.65	1.65	5.22	85.00
	and		305.85	3.8	5.66	22.00
CO-133A-D	369	10025	300	22.5	1.92	13.00
CO-138-D	228	9850	203.25	10.05	1.64	13.00
CO-139-D	282	9962	244.7	11.8	15.21	203.00
	including		249	5.1	33.34	372.00
CO-141-R	133	10625	106	8	2.51	75.00
	including		111	2	5.60	134.00
CO-143A-D	373.3	10075	324	15.6	1.43	23.00
CO-144-D	353.8	10100	316	33	5.87	169.00
	including		323	1	18.00	452.00
	including		326.5	5	10.17	150.00
	including		346.05	1.65	45.13	2,137.00
CO-145-D	330	10125	271	29.9	7.81	280.00
	including		289.95	7.05	21.89	1,003.00
CO-146-D	269.6	10125	256	3.1	2.23	979.00
CO-147A-D	409.7	10125	323	1.3	13.50	186.00
CO-148-R	57	9825	31	17	3.61	137.00
	including		34	7	6.63	310.00
CO-149-R	127	9825	96	19	2.14	21.00
CO-151-R	97	10230	71	2	1.49	18.00
CO-150-D	351	10025	285.15	4.3	4.18	25.00
CO-152B-D	345	10125	300.94	11.06	4.56	17.00
	and		315.8	4.4	8.50	23.00
	Including		317.3	2.9	10.82	24.00
CO-154-D	306	10150	260.85	3.65	3.65	821.00
	and		289.35	6.3	5.35	45.00
	Including		292.4	3.25	7.35	24.00
CO-155-D	366	10150	257.9	23.1	5.94	49.00
	Including		259	3.5	6.79	87.00
	Including		269.45	9.55	9.71	54.00
	and		300.95	20.5	4.05	189.00
	Including		313	8.45	6.42	366.00
	and		330	12.3	2.60	48.00
	Including		340.7	1.6	6.66	230.00
CO-156-D	339	10175	265	2.75	4.00	93.20
CO-157-D	387	10187	216	6	2.10	10.83
CO-161-D	218	9825	172.7	5.55	3.96	22.09
CO-162-D	386	10120	353.3	7.7	26.07	1,322.19

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
	Including		353.3	0.95	96.60	8,152.00
	Including		358	1	63.80	1,406.00
CO-164-D	188	9850	155	5	4.17	107.91
CO-165C-D	435	10150	392	17.1	1.17	9.54
CO-166-D	414	9800	270	3.4	145.56	336.13
	Including		270	1.1	435.40	1,006.00
CO-167B-D	393	10150	376.5	1.4	3.39	57.66
CO-168-D	441	10150	401	14.5	10.13	143.22
	Including		408	4.7	21.19	377.39
CO-170-D	309	9850	261.4	5.87	12.72	265.30
	Including		267.56	4.7	15.31	322.20
CO-171-D	317	10125	406.43	5.17	2.98	31.72
	Including		407.8	1.9	5.62	21.18
	and		417.86	0.44	8.80	63.31
CO-172-D	321	9850	281	1.95	3.33	88.63
	Including		282	0.48	6.94	17.19
CO-173-D	384	9825	334.23	2.99	2.99	72.81
	and		312.57	4.38	1.40	13.61
CO-175-D	135	10325	109	2	0.27	148.51
CO-176-D	186	10325	149.14	2.68	1.40	15.85
CO-177-D	75	10350	61	1	1.20	19.37
CO-178-D	321	10000	274.77	12.65	1.43	7.89
CO-180-D	129	10350	109.3	1.4	10.40	23.04
CO-181-D	165	10350	137.89	6.73	35.53	53.42
	Including		139.34	3.59	61.85	68.48
CO-182-D	402	10025	329.6	12.6	1.80	55.84
CO-183-D	219	10350	194.6	2.15	7.61	18.31
	Including		195.25	1.5	9.88	18.24
	and		202.3	5.47	6.37	5.00
	Including		206	1.77	13.36	11.72
	and		202.3	0.6	4.26	4.82
CO-184-D	60	10375	14.1	3	0.95	3.51
CO-186-D	189	10375	165.2	2.95	0.22	75.01
CO-187-D	284	10075	229.1	12.57	3.70	307.41
	Including		232.5	2.5	9.35	567.50
CO-188A-D	225	10375	210.6	7.5	1.83	11.34
CO-189-D	295	10125	267	22.58	2.28	39.88
	Including		269.7	7.08	3.52	59.46
	Including		283.73	1	7.27	247.00
CO-190-D	75	10318	14	2.2	0.90	4.86
	and		33	1.6	0.84	34.50
CO-191-D	96	10318	71.5	2.15	0.70	82.09
CO-192-D	126	10318	93.74	2.76	0.89	14.64

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-193-D	150	10318	124.58	1.78	0.79	30.63
CO-194-D	180	10318	147.05	4.23	0.70	16.05
	and		163.52	1.39	1.95	8.83
CO-196-D	80	10600	31.17	2.09	7.52	14.40
	and		45	1.06	1.84	14.77
	and		48.2	1.03	1.00	8.50
CO-197-D	156	9786	125.1	2.25	24.50	140.79
CO-198-D	111	10600	85	6	2.55	117.82
CO-199-D	198	9786	157.47	2.87	0.86	5.53
CO-200-D	204	9786	179.75	2.25	1.24	17.87
CO-201-D	177	10100	141	3	1.95	26.93
	and		134	0.9	2.69	54.75
CO-202-D	84	10150	37	3	0.98	49.38
	and		51.3	3.23	1.58	68.40
CO-203-D	134	10150	105.7	8.3	2.16	146.16
	Including		105.7	3.3	4.03	312.66
CO-204-D	174	10150	148.17	3.21	2.30	153.55
CO-205-D	342	9825	296	14	2.64	17.07
	Including		298	8	3.40	20.85
	and		290	2	1.24	13.38
	and		312	1	2.15	0.25
CO-206-D	78	10175	46	17	2.69	344.95
	Including		48	3.48	8.76	1,220.72
CO-207-D	117	10175	90.2	11.8	2.08	52.99
CO-209-D	138	10175	102	8.19	1.76	72.93
CO-210-D	162	10175	139.9	3.1	4.06	199.89
CO-211-D	192	10175	167.88	4.12	0.87	116.08
CO-212-D	223	10175	210.6	1.4	1.30	166.36
CO-213-D	252	9800	190	5	8.58	508.04
	Including		194	1	36.10	430.00
	and		200.7	2.6	53.74	700.39
CO-214-D	96	10200	60.83	8.91	3.14	49.93
	Including		64	2	5.97	58.11
CO-216-D	156	10200	110	2	2.10	34.50
	and		120	9	3.61	75.95
	Including		126	3	5.53	125.18
CO-217-D	177	9800	140	4	1.77	12.57
	and		146	6	1.61	3.89
	Including		150	2	3.03	1.22
CO-218-D	171	10225	126	8	6.14	61.97
	Including		130	1	30.32	102.92
CO-219A-D	381	10125	312.6	7.8	1.37	26.54
	and		331.2	13.3	1.92	313.21

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
	Including		331.2	5.6	2.11	650.80
CO-220-D	156	10225	106	2.34	1.59	64.79
	and		111.55	1.81	2.23	45.41
CO-222-D	399	10100	304	9	3.00	66.92
	Including		310	3	5.37	139.20
	and		352	31	5.29	178.36
	Including		353	3	4.20	86.39
	Including		360	13	8.79	224.66
	Including		381	2	4.49	85.51
CO-223-D	132	9875	100.67	3.33	2.04	14.05
CO-224-D	171	9875	130.3	2.7	3.56	61.18
CO-225-D	210	9875	182	14	1.31	31.77
	Including		182	1.85	4.40	162.93
CO-226-D	231	9875	196.4	7.8	1.84	668.17
CO-227-D	377	10000	302	18	1.92	7.94
	and		322	10	1.48	5.66
	and		335	2	1.26	4.01
	and		344	4.35	14.69	383.35
CO-228-D	225	9900	192	3.1	11.03	455.36
	Including		193.25	0.95	32.47	1,233.36
	and		216	4	1.23	6.30
CO-229-D	411	10100	345	2	1.98	113.17
	and		382	4	4.11	107.39
	and		389	2	29.24	562.50
	Including		390	1	54.90	832.00
CO-230-D	174	9900	133.14	7.86	1.27	20.62
CO-231-D	211	9925	189.36	4.44	9.56	63.90
	Including		189.36	2.07	13.15	125.47
CO-232-D	126	10075	100	4	1.55	10.43
CO-233-D	165	10075	97	2	1.06	76.02
	and		114	2	1.15	23.05
CO-234-D	291	9850	250	1	1.53	275.00
	and		258	18	1.80	14.14
	Including		266	6	2.57	8.21
	and		279	2	1.06	75.60
CO-235-D	180	10075	118.1	2	1.04	14.23
	and		137.5	3	1.31	25.00
CO-236A-D	234	10075	171.77	2.23	1.10	111.77
	and		193	1	1.40	3.15
CO-237-D	246	10075	193	4	2.13	97.16
CO-238A-D	84	9985	36	2	1.38	8.74
	and		43	1	1.60	10.82
	and		60.23	0.9	1.66	141.13

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-239A-D	159	10075	120	5	9.12	175.52
	Including		120.97	2.03	13.99	265.16
CO-240-D	138	9950	87	4.14	1.31	86.38
	and		96	1.7	1.47	353.12
	and		100.3	3.12	1.74	126.56
CO-241A-D	159	10050	131	1.6	1.54	58.74
CO-242A-D	207	10075	186	2	7.47	231.72
CO-243A-D	90	9800	86	3	1.41	3.02
CO-246-D	162	9825	145	10	1.68	9.68
CO-247-D	105	9825	80	10	4.20	220.33
	Including		82.5	3.5	7.14	491.68
CO-249-D	99	10275	57	6	0.95	4.41
CO-250-D	210	9825	195	5.85	3.29	36.39
	Including		197	0.9	15.40	224.79
CO-252-D	219	10350	195	10	2.96	5.98
	Including			1	12.20	7.64
CO-254-D	300	9800	255	8	1.87	46.63
CO-257-D	195	10275	159	14	1.76	37.89
CO-258-D	216	10300	197.4	3.6	3.62	69.38
CO-259-D	330	9890	286	6.1	1.04	6.24
CO-260-D	210	10250	180.5	4	1.59	111.00
CO-262-D	231	10250	185.63	7.37	1.42	33.84
CO-263-D	285	9830	240	9	3.01	357.46
CO-264-D	285	10175	256	1	2.83	112.27
CO-265-D	318	10200	272	10	1.67	64.77
CO-266-D	390	10025	301	14.14	1.25	11.04
	and		319	22	3.42	37.83
	including		326.5	1.2	17.11	65.97
	and		343	11	1.61	7.86
	including		353	1	8.12	86.51
CO-267-D	261	10225	244.72	9.28	7.15	206.06
	Including		248.5	4.5	13.18	245.56
CO-268-D	360	10200	297	17	1.76	11.93
	and		341	3	1.49	0.91
CO-269-D	318	9925	273	13	3.12	89.74
CO-270-D	408	10095	375	3	1.81	93.57
CO-271-D	345	10200	273.5	5.5	1.97	30.29
	and		283	17.72	1.05	5.23
	and		310	5	2.92	5.51
CO-272B-D	291	9875	256.85	4.15	1.56	42.77
CO-273-D	321	10175	264	14	2.55	43.09
CO-274A-D	354	9855	302.5	15.58	1.89	16.93
	and		322	10.2	3.15	123.17

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
	including		326.85	1.05	14.30	699.41
CO-276-D	249	10325	212.75	1.9	36.28	390.31
	including		212.75	0.95	71.20	768.31
CO-278-D	396	10000	327	8	1.73	9.05
	and		357	7	3.42	190.13
	including		359	1	18.27	1,330.92
CO-279-D	294	10450	280	1	1.54	9.92
CO-281-D	366	9935	318	20	3.92	48.13
	including		326.42	3.58	9.39	153.67
CO-283-D	363	10250	302.05	1.95	5.93	317.39
CO-284-D	374.5	10225	234	16	5.91	48.70
	including		235	2	16.67	174.48
	including		244	4	11.98	45.74
	and		295	62	3.88	87.72
	including		343	14	8.48	255.20
CO-285-D	393	10275	349.2	19.2	34.29	255.11
	including		357.34	0.96	434.38	2,362.62
	including		357.34	8.91	70.79	517.79
CO-286A-D	384.4	10250	384.4	0.8	1.19	25.17
CO-287-D	414	10050	383.55	4.75	1.89	45.90
CO-288-D	393	9950	245.5	4.7	1.88	51.04
	and		324	11	2.50	74.44
CO-289-D	369	9878	207.25	5.75	4.35	106.73
	and		266.6	8.4	4.25	49.79
	including		266.6	0.7	37.19	249.94
CO-290-D	441	9950	250.5	4.5	1.86	77.30
CO-291-D	414	9900	323.4	8.85	3.92	137.17
	including		323.4	0.6	15.70	676.88
CO-292-D	465	9900	378	1	8.24	22.25
CO-296B-D	264	9750	212.5	2.5	48.56	4,983.23
CO-297A-D	162	--	127.14	0.9	0.21	4.22
CO-298-D	372	--	314.25	2.25	0.58	4.06
CO-299-D	300	--	259.15	0.5	0.16	6.53
CO-300-D	438	--	351	4	0.10	1.07
CO-301-D	270	9665	209.6	9.85	0.97	27.37
CO-307-D	375	N 10275	341.8	3	6.84	94.30
	Including		341.8	1.07	12.27	200.46
CO-308-D	450	N 10275	395.7	14.5	2.72	31.40
CO-309-D	420	N 10300	364	3.32	7.44	399.85
	Including		365.1	1.07	18.87	809.38
	And		375	13.8	4.85	156.56
	Including		380	2	11.01	413.74
CO-310-D	351	N 10300	327	3	3.63	47.11

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-311-D	387	N 10300	332	39	7.79	223.37
	Including		345	2.6	13.19	983.56
	Including		351	7	22.52	495.68
	Including		366	5	13.84	25.06
CO-312-D	405	N 10325	379.7	12.5	3.71	74.46
	Including		383.35	4.15	6.73	150.24
CO-313-D	381	N 10250	343	10	3.40	161.95
	Including		343.6	0.62	12.90	66.43
CO-314-D	438	N 10325	408.3	18.8	3.91	92.01
	Including		418	1	18.70	784.00
CO-315-D	420	N 10225	364	15	1.77	34.74
CO-316-D	417	N 10250	370.8	2.9	1.88	13.28
CO-317-D	342	N 10225	287.45	37.4	20.04	205.63
	Including		310	6	77.44	1,030.15
CO-318-D	330	N 10250	293.25	7.05	1.76	27.30
CO-319-D	354	N 10275	322.4	5.6	1.89	11.06
	And		344	2	1.77	4.40
CO-320-D	342	N 10300	327.65	1.55	1.33	21.11
CO-321-D	381	N 10325	337.15	0.85	6.11	10.14
CO-322A-D	393	N 10325	349.6	17.4	7.10	160.47
	Including		365	1	76.20	136.60
	And		379	6.5	5.75	16.53
	Including		381	1	12.37	23.50
CO-323-D	270	N 10300	256.5	2.5	1.31	430.92
	And		265	1.1	1.21	13.52
CO-324A-D	336	N 10300	285.6	1	1.72	8.86
CO-325A-D	282	N 9775	229.55	3.6	9.60	600.23
	Including		230.35	0.8	27.03	1,307.00
CO-326-D	431	E 4735	406	3.4	1.47	8.37
CO-327-D	285	N 9767	228.15	4.5	3.56	38.04
	Including		228.15	0.7	12.41	52.80
CO-330-D	470	N 10150	362	3	3.80	427.54
CO-331-D	390	N 9925	328.25	12.2	3.15	50.16
CO-332-D	402	N 10350	349	6	1.91	122.52
CO-334-D	405	N 10350	329.85	1.15	1.13	21.96
CO-335-D	411	N 10575	353.3	28.3	4.11	25.51
	Including		357.8	2.2	12.54	47.74
CO-336-D	393	N 10380	363.15	0.6	1.55	30.14
CO-339-D	341	N 10275	306.7	2.55	16.69	21.11
CO-340-D	324	N 10225	273.9	21.5	2.65	56.78
CO-341-D	420	N 10075	365	24.6	3.06	112.88
CO-342B-D	300	N 10250	261.35	3.7	5.11	303.10
CO-343-D	435	N 10300	377.9	18.8	3.22	49.77

Table 10-1
List of Significant Drill Hole Intersections, Cap-Oeste Deposit

Hole No.	Depth (m)	Section	From (m)	Interval (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
CO-344-D	420	N 10360	376	8	4.13	181.92
CO-345-D	369	N 10250	336.2	7	12.23	243.52
	Including		339.7	0.75	45.99	145.43
	Including		341.3	1.4	23.14	170.19
CO-346-D	444	N 10340	392.2	16.3	18.97	282.51
	Including		405.9	1.25	209.96	699.47
CO-347-D	300	N 10200	264.5	4.45	4.40	653.09
	Including		271.25	0.75	12.21	2,728.11
CO-348-D	420	N 10400	356	1.55	1.08	0.67
CO-349-D	399	N 10400	352.5	3	1.25	43.97
CO-350-D	282	N 10200	255	2.1	4.61	216.51
CO-351B-D	419	N 10450	354.05	4.75	1.40	32.86
CO-352-D	258	N 10230	232	1.5	2.46	85.78

While the limits of oxidation are observed to be highly variable, the base of the oxidized material is broadly coincident with the footwall contact of the Bonanza and Esperanza Faults down to vertical depths of between 70 and 120 m. Generally, the boundary between the zones of complete, partial and no oxidation are sharp (Figure 10-3), with the interval representing the zone of partial oxidation being typically 5 to 10 m wide. The zones of complete and partial oxidation are collectively represented as occurring above the line of oxidation on the sections provided in this report.

Figure 10-3
Example of Transitional Oxidized Zone with Transition to the Hypogene Zone

10.6 Drill Sample Recovery

10.6.1 Diamond Core Recovery

A summary analysis of the recoveries achieved in the different geological zones and mineralization types is shown in Table 10-2. Based on results from the 24,733 diamond core intervals drilled throughout the Cap-Oeste Project area, overall diamond core recoveries averaged 98.31%.

Table 10-2
Diamond Drilling Core Recovery Statistics

Oxidation Zone	Recovery DD Holes (%)
Oxide	97.76
Partial Oxide	98.00
Non Oxide	99.15
Mineralization Type	
Crackle Breccia (Zone 1a)	98.58
Hydrothermal Breccia (Zone 2a and 2b)	97.35
Veinlets and Disseminated (Zone 1b, 1c and 3)	99.04

Excellent recoveries were achieved throughout the Crackle Breccia and Veinlet mineralization types with average recoveries of 98.58 and 99.04 %, respectively. A slight loss of core (average recovery 97.35%) occurred throughout zones of hydrothermal breccia, which is likely a consequence of the commonly clay rich breccia matrix and fractured nature of the rock. Based on this tendency, during the January 2011 to present drilling campaigns, the use of HQ triple tube diamond drilling through the main zone of interest was implemented.

Generally good recoveries were achieved for non-oxide and partially oxidized mineralized zones, averaging 99.18 and 98.20 % respectively. Slight core loss (average recovery 97.76%) occurred throughout the oxide zone, likely a product of the friable and clay-rich nature of mineralization.

10.6.2 Reverse Circulation Sample Recovery

The average recoveries for the RC drilling sample intervals were calculated for differing drilling conditions (wet/dry) and geological parameters including degree of oxidation and mineralized zones, as shown in Table 12-2. Recovery was calculated by dividing the dry weight per meter by the theoretical weight of the volume of rock per meter in which rock densities used were derived from the respective rock specific gravity values defined below in Section 11.4. In the case of wet RC samples, the wet bulk sample residues (i.e. after splitting) were left to dry prior to weighing to which the recorded weight of the split laboratory sample was subsequently added to calculate recoveries.

Theoretical sample weight/meter values utilized in recovery calculations for hypogene and oxide zones were calculated as follows:

- Oxide: 3.1417 (pi) x 0.066 sq (radius meters squared) x 2.07 (density) = 28.3 kg
- Sulfide: 3.1417 (pi) x 0.066 sq (radius meters squared) x 2.11 (density) = 28.9 kg

The RC drilling recoveries calculated for various geological intervals are shown in Table 10-3.

Table 10-3
RC Recovery by Oxidation Zone and Mineralization Type

Geological Interval	Recovery RC Holes (%)
Oxide Zone	89
Non oxide	98.5
Mineralization Type	
Crackle Bx (Zone 1a)	87.6
Hydrothermal Bx (Zone 2a, 2b)	89
Veinlets and Disseminated (1b, 1c and 3)	95

Drilling throughout the oxide zone, yielded good average recoveries throughout which relatively small losses typically occurred preferentially throughout the first 15 to 20 m where supergene clay alteration is strongest and the presence of open space fractures is greatest.

Samples of wet RC drill cuttings, which were limited to the deeper holes from the initial campaign (CO-001-R to CO-010-R), generally reported significantly lower recoveries averaging 49%. These results led directly to the policy of limiting future RC drilling to the interval above the water table subsequent to the first drilling campaign. In addition, twin diamond drill holes were completed adjacent to the initial RC holes where mineralization was intersected below the water table to examine for any significant bias that drilling beneath the water table may have generated.

With respect to the sample recoveries as a function of mineralization type, overall good recovery of 87.6% was achieved within the Zone 1 type mineralization, albeit lower than that achieved for Zone 2 and 3 which reported 89% and 95%, respectively.

Given that Zone 1a type mineralization was predominantly tested in the oxide zone, the lower recoveries are likely a product of the higher propensity for minor loss of clay fines in open space fracture and in permeable portions of the host lithologies. Similarly, recoveries throughout Zone 2a and 2b type mineralization were likely affected by the clay rich breccia matrix and highly fractured rock conditions typical of this zone.

10.7 True Width and Orientation of the Drill Target and Drill Intercepts

The overall form of the mineralized envelope of the Main Shoot at Cap-Oeste in section is planar and broadly sigmoidal with an average dip of 55° southwest, with local variations between 40º and 80º. The holes drilled to test the zone (drilled 50º to 70º towards the northeast), generally intersected mineralization at relatively high acute angles of 60º to 85º with respect to the core axis. Although no orientated core was obtained, these overall angles correlate with those recorded in the structural logging including fault planes, hydrothermal breccia fabrics and sheeted veinlets, relative to the core axis.

Given the consistent orientation of drill holes, the true widths of the intersected mineralization generally equate to approximately 80 to 95% of intersected widths. In a rare number of circumstances mineralization was intersected at a lower acute angle of 55 º which equates to approximately 70 to 85% of the intersected widths.

The overall planar geometry of the mineralized section of the Esperanza Fault zone which dips steeply (75-85º) to the northeast was partially tested by stepback holes designed principally to test the Bonanza Fault at depths greater than 150-200m RL. On average these holes intersected this structure at 15 to 25º to the core axis for which the true width equates to approximately 20 to 25 % of the intersected widths.

11.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

11.1 Sampling

11.1.1 General Considerations

Drilling and sampling were not actively ongoing at the time of the most recent CAM visit to the project in August, 2011. As a consequence, the drilling, sampling, and sample preparation procedures are drawn from observations on previous site visits, augmented by review of sampling protocols as provided by PGSA.

Sampling was performed on site, in the case of trenching and RC drilling, and at the Estancia La Bajada base camp, in the case of diamond core. Field technicians were given appropriate training and were supervised by a PGSA geologist. Care was exercised to eliminate sources of potential contamination:

- Wearing of jewelry was prohibited;
- Sample bags and core boxes were closed immediately upon the insertion/placement of the respective sample and kept above the ground surface on pallets;
- Care was taken during the transporting and processing of core samples, and the subsequent storing of samples and core boxes;
- Sample bags were kept in a dust-free environment and individual sample bags were stapled closed and maintained in burlap bags subsequent to sampling, which were immediately zip tied closed; and
- No sample reduction of any of type was conducted at the base camp other than the splitting of the diamond core, and the splitting of the RC samples (as described previously in Section 10).

11.1.2 Trench Sampling

Trench locations were laid out with Brunton compass and hand-held GPS. Topsoil removed by the backhoe excavator was stockpiled separately for later backfilling, and trenches were subsequently excavated down to bedrock to a maximum depth of three meters. The trenches were then cleaned and two parallel, five-cm by five-cm slots were mechanically dry sawn, cleaned, and sampled. Trench sampling and logging were carried out under the supervision of PGSA geologists; sample intervals were generally marked using a measuring tape following geological criteria (e.g. zones of similar mineralogical/geological features). Sampling of the trenches comprised chipping between the two sawn slots with hammer and chisel to the limits of marked sample intervals and placing the broken material in plastic sample bags. Each sample bag is tagged and staple sealed and subsequently transported back to the base camp where each sample weighed and recorded for final laboratory dispatch. Final surveying of the trenches position was completed by a qualified surveyor using a differential GPS.

11.1.3 Reverse Circulation Sampling

PGSA field technicians processed each one meter sample as follows:

- The rifle splitter was cleaned between each sample interval with compressed air sourced from the drilling rig. The cyclone was thoroughly cleaned between drill holes and every effort made to ensure quality control on-site.
- Samples were weighed on-site, and the sample weight and type (e.g. dry, moist, wet) were recorded. Samples were weighed at various times during drilling for quality control.
- Riffle splitting was used to achieve a representative 4 kilogram sub sample which was bagged immediately in a plastic polyurethane bag (dry samples), or in polypropylene cloth bags (wet samples).

In the case of wet RC drilling conditions, a rotary splitter was utilized in lieu of the conventional cyclone which allowed for a 1/8 and 7/8 split of the bulk one meter interval. Individual interval samples were taken from the 1/8 split portion of the splitter, placed in consecutively numbered lines peripheral to the drill platform and subsequently weighed when the excess water had drained through the pores of the polypropylene cloth bags. The wet splitter was thoroughly cleaned between each hole to minimize contamination.

11.1.4 Diamond Drill Sampling.

During drilling, the diamond core samples were managed according to the following protocol:

- The core barrel was retrieved following each ‘run’ via wire line, after which the diamond core was immediately slid out from the core barrel and placed in a core cradle. For diamond drilling conducted during 2009 and later, the use of a core barrel sleeve tube (HQ3) was implemented, the core was ‘pumped’ out hydraulically.
- During this process care was taken by the contractor and PGSA field technician to ensure that core was maintained intact and in the correct order within the cradle.
- Core was washed and subsequently orientated in order to reconstruct the core in its predrilled in situ position as much as possible. The vertices of any mineralized structures were preferentially aligned with the upper axis of the core.
- In combination with the drilling meterage blocks, as defined and provided by the driller, the PGSA technician calculated and marked the individual meter limits on the core.
- Recovery length and percentage of both the total drilled interval and each complete unit depth meter interval was calculated and recorded on the Drill Log sheet.
- Rock quality designation (RQD) for each core run was measured by the PGSA field technician on the sum total interval of individual core pieces that measure over 10cm in the core run.

- Core was carefully placed into the numbered wooden core boxes in which meter intervals were marked on core, and core boxes, with wooden meterage blocks inserted in the corresponding position.

In order to standardize sampling methodology and to more easily allow for reconstitution of the drillhole in half-core, a convention was established of utilizing the left hand side of each cut core portion for subsequent geochemical analysis, with the right hand piece retained as reference core. At the end of each sample interval, a perpendicular saw cut was made to clearly mark the end and beginning of the consecutive sample. During the cutting, the core sample intervals and corresponding numbers were repeatedly crosschecked.

Half core samples for individual intervals were placed in clean, tagged plastic sample bags which were immediately closed after sampling, and the corresponding interval in the core was marked with a stapled aluminum tag. After the individual samples were bagged they were placed in numbered burlap bags and subsequently weighed and recorded ready for transport. The marking, sampling, and bagging process was conducted by the PGSA field technicians under supervision of the project geologist.

11.1.5 Storage and Transport

Samples pending shipment were stored onsite at Estancia La Bajada in a secure storage area and shipped weekly via a contracted private courier in a closed and locked truck compartment. The samples were transported directly to the designated laboratory in Mendoza, Argentina and were always accompanied by the required provincial transport permit in addition to a shipping dispatch and a letter addressing the particular analyses required, sample numbers, quantity and weights for the laboratory. The PGSA data manager was notified immediately upon reception of the samples in the laboratory by the laboratory staff.

11.2 Analysis

11.2.1 Laboratories, Methods and Procedures

Alex Stewart Assayers of Mendoza Argentina S.A, an international recognized, accredited, and independent laboratory compliant to ISO Certified - 9001:2000 standards, was contracted for the geochemical analysis of the samples generated during all the drilling campaigns at Cap-Oeste, and for exploration holes drilled outside the Cap-Oeste Project area. ACME Labs of Vancouver BC Canada performed check assays on selected samples. ACME is also ISO 9011-certified.

11.2.2 Methods and Procedures

The core drill samples underwent sample preparation according to Alex Stewart's procedure P-5:

- Reception of samples in Mendoza, check of number identification
- Weigh sample
- Dry sample at 80 – 90ºC;
- Crush all the sample in Jaw crusher (primary and secondary crusher) to 80% - 10 mesh;
- Split the sample in Riffle splitter to obtain 1.2kg;
- Grind 1.2 kg sample to obtain 85% at 200 mesh

11.2.3 Sample Analysis

Gold was analyzed by fire assay and silver by aqua regia digestion with AA finish, according to Alex Stewart's procedures Au4-50 and Ag4A-50. Inductively-coupled plasma (ICP) analyses for a suite of multi-elements (39 elements, including base metals and silver) were performed by procedure ICP-MA-39.. Silver over limits 200 g/t were analysed by fire assay gravimetric finish. Gold above 10 g/t was re-assayed with gravimetric methods.

11.2.4 Screen Fire Assays

A total of 24 coarse rejects (95% less than -10 mesh ASTM) were selected from original, individual high, mid-range and low grade sample intervals as determined by assaying performed by the Alex Stewart laboratory. These were analyzed by Acme Analytical Laboratories via the screen fire assay technique in order to determine the size/distribution character of gold mineralization (Figure 11-1).

This technique is designed to examine whether larger gold particles are present in the coarse fraction of the sample and to enable semi-quantitative analysis on the potential presence and effects of coarse gold on grade reproducibility of relatively small (50 g) sample sizes used during routine analysis.

Sample preparation involves firstly the milling of the coarse reject to 95% less than 200 mesh ASTM (74 µm) after which the undersize is sieved, weighed and split into three subsamples which are each subsequently fire assayed. The oversize is weighed and the entire coarse fraction is subsequently fire assayed, after which those values over 10 g/t Au are determined with a gravimetric finish.

In order to test for the level of repeatability of the high grade gold intervals and potential nugget effects relating to the possible presence of coarse gold, a total of 9 coarse residues from some of the highest grade intervals were re-assayed (Table 11-1). Scatter graphs for the gold and silver results are presented in Figures 11-2 and 11-3, respectively. Results show a high degree of repeatability whereby the respective repeat values returned values within the plus or minus 10 to 15% limits of the original value for both gold and silver.

The combination of the overall good repeatability of both the routine check assay data and high grade re-assay results, and defined presence of gold in the coarse fraction (>74 µm or 200 mesh ASTM) determined by the screen fire analysis, suggests an overall homogenous distribution of fine and coarse gold in the high grade samples that does not negatively influence the level of repeatability achieved by the conventional fire assay technique.

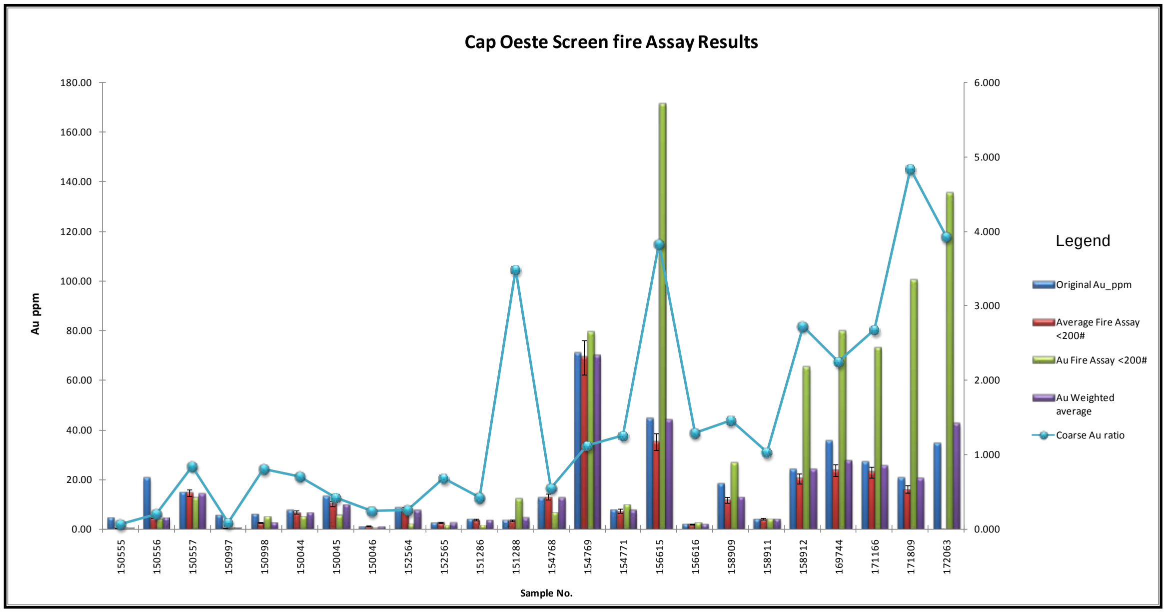


Figure 11-1
Graphical Comparison of Screen Fire Assay Gold Results

11.3 QA/QC - Quality Assurance and Quality Control

CAM reviewed a 57-page report entitled “Cap-Oeste Quality Control Report” The report indicates that PGSA QA/QC geochemical assay procedures include the routine incorporation of certified geochemical standards, blanks and RC drilling sample duplicates. In addition, PGSA mandated screen fire-assay tests on 24 samples.

Quality control measures implemented during the trenching and drilling programs included the submission of a series of certified standard and blanks, which were incorporated and dispatched with the drill samples, according to the following protocol.

The standards and blanks were incorporated and dispatched with the drill samples, according to the following protocol:

- **Diamond Drilling:** alternate insertion of a laboratory certified laboratory standard or blank for every 10th sample.
- **RC Drilling:** For every alternate 10th sample, a duplicate sample of the preceding interval was taken as a field duplicate, or a certified laboratory check standard or blank sample was submitted respectively.
- **Trenching:** For every alternate 10th sample, a duplicate sample of the preceding interval was taken as a field duplicate, or a certified laboratory check standard or blank sample was submitted respectively.

11.3.1 Field Duplicates

Field Duplicates –Trenching

Two field duplicates were taken during sawn trench sampling throughout the Cap-Oeste deposit area, which reported good repeatability and correlation within plus or minus 10 to 30% of the relative error limits.

Field Duplicates – RC Drilling

From the total of 174 field duplicates analyzed, a good correlation of within +10% variability was received for values between 1.5 to 6 g/t Au and an acceptable correlation within +20% variability was received for values between 0.1 to 1.5 g/t Au, as shown in (Appendix II). Correlation for silver for the field duplicates reported generally within the +10-20% limits and, apart from a single outlier, indicated an overall slight positive bias of the original assay results.

11.3.2 Certified Standards

Certified standards were purchased from Geostats pty ltd, based at Western Australia. The standards had a range of round-robin certified grades between 0.03 and 47.24 ppm Au and 0.5 to 462.7 g/t Ag, thus bracketing the range of expected values.

A total of 1,460 individual standards, with a range of certified gold grades between 0.03 and 47.24 g/t Au, 627blanks and 174 duplicates were submitted with half-core drill samples for quality control throughout the routine drill sample assay process.

The analytical results for each individual standard were plotted on control charts in which the upper and lower limits were defined by plus or minus 2 and plus or minus 3 standard deviations from the respective certified value, in addition to the plus or minus 10% relative variance from the assigned standard value.

The control charts showed that all gold standards performed within the accepted 3 standard deviation limits of the recommended gold value, with the exception of a total of 52 samples which returned values outside these limits. For each of these failed standard samples, five of the adjacent drilling samples within the batch, relative to the standard, were reanalyzed. As part of these rechecks, a total of 401 drill sample interval pulps were re-analyzed for gold, together with a total of 40 standards.

The results for the original and recheck drill sample interval pulps show a good correlation of within +10% (Appendix II) and all the standards that were included with the reanalysis returned values within the +10% variation limits of the certified standard values. As a result, it is considered that the original standards which returned a large variation from the expected values were either erroneously submitted and/or recorded, or that preparation and handling of the standards introduced a degree of error greater than plus or minus 3 standard deviations.

For the quality control of silver results a total of 139 silver standards with certified values between 52 and 1,419.6 g/t Ag were submitted with the drill interval samples during the drill campaigns. Assay values received from the laboratory show good correlation within plus or minus 10% of the certified values.

The Quality assurance and control report by Almeira (April 2012) referred to above reports the analytical results for each of -36 Au standards, some of which were assayed on more than 100 occasions. Examination by CAM of the results indicates that the precision and accuracy of the standards were both acceptable. There a few notable blunders (sample-switching in the lab ?) which is to be expected in an operational setting. Possible laboratory bias (non-accuracy) in excess of 5% relative to the standard was noted in 4 of the Au standards with +30 assays. There was no appreciable temporal drift of results for these standards, and the biases were both positive and negative, suggesting the possibility that these standards were off-key.

A typical control chart is shown in Figure 11-2.

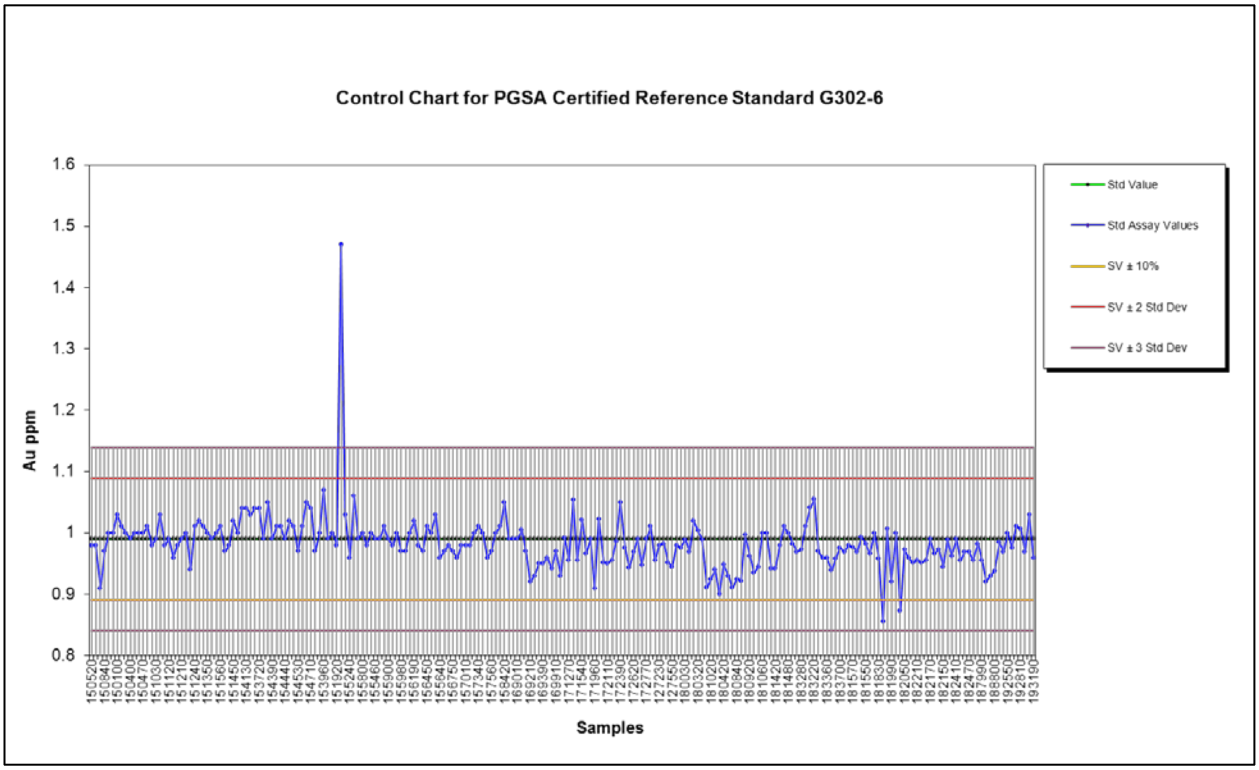


Figure 11-2
Control Chart for Gold Standard G302-6

11.3.3 Blank Samples

Blanks standards were obtained from Geostats Perth. PGSA submitted 627 blank samples into the assay stream. Of these, only 1(fewer than 1/2 of one percent of the total) resulted in high values, probably resulting from sample labeling errors in the laboratory. Four others (fewer than 1.0% of the total) yielded results of two to four times the limit of detection for Au. CAM considers that these results are acceptable, and that intervention is not necessary.

11.3.4 Check Assays

A total of 17 batches of check assay sampling were conducted during 2008, 2009 and 2011 for holes CO-001-R to CO-136-DR and CO-166-D, which overall comprises approximately 2.2% of the total drill sample interval population and 7.7% of samples within the mineralized envelope.

These check samples consisted of sample pulps (281samples, 85% less than 80 µm or -200 mesh ASTM) and coarse rejects (305 samples, greater than 85% less than 1.7 mm or -10 mesh ASTM). These check samples were taken predominantly from where significant gold-silver drill intervals were reported, which were collectively submitted with a total of 64 laboratory-certified standards.

These samples were resubmitted to both:

- The original laboratory (i.e. Alex Stewart Assayers S.A.) - comprising of 83 pulps and 237 coarse rejects plus 35 standards.
- A certified check laboratory (i.e. Acme Laboratories) - comprising 198 pulps and 68 coarse rejects plus 29 standards.

Additionally, check assaying for silver by the two laboratories was completed, however certified standards containing significant concentrations of silver were not included with these samples. Statistical results for the check assay data were generated in Excel spreadsheets. The interpretations of the scatter plots took into consideration the correlation of original and check assay values that were duplicated within plus or minus 10 and 20% limits, the linear regression trends generated by the respective values, and the relative precision of the laboratory values reported for the standards that were submitted within the respective check assay batches.

For the check assays of the coarse rejects between the two laboratories, values reported by Alex Stewart Assayers S.A. indicated a minor negative bias compared to that of Acme Analytical Laboratories of approximately 10%, highlighted particularly in the range of values between 3 and 8 g/t Au. For silver, the same tendency was reported albeit to a lesser degree (2-5%), apart from a high isolated outlier sample which reported a 12% negative bias relative to the Acme Analytical Laboratories result.

From the internal comparison of check assays for Alex Stewart Assayers S.A., the check results from the coarse rejects suggest a slight negative bias (<5%) compared to those of the original results. The correlation coefficients indicate an excellent overall correlation for all of the gold and silver values for both the coarse rejects and pulps with the independent laboratory (Acme Analytical Laboratories), as well as the internal checks of Alex Stewart Assayers S.A. Results of the check assays are displayed in Table 11-1.

Table 11-1
Comparison of Gold and Silver Re-Assay Results

Hole	Original Results			Check Results using Coarse Rejects		
	Sample	Gold (g/t)	Silver (g/t)	Check Sample	Gold (g/t)	Silver (g/t)
CO-016-D	151404	94.28	3410	170777	89.91	3,188.65
CO-054-DR	156613	218.83	4273	170778	250.17	4,253.18
CO-054-DR	156614	61.04	552	170779	61.07	543.88
CO-080-DR	158902	41.29	24.73	170781	34.39	21.42
CO-105-DR	169213	98.44	105	170782	103.23	105
CO-108-D	169316	31.29	665	170783	33.37	606.44
CO-119-DR	169736	34.42	499.02	170791	37.01	487.21
CO-119-DR	169737	46.22	300.48	170792	46.57	279.81
CO-125-DR	171027	32.73	6,649.54	170793	35.81	6,502.77

Figure 11-3 and Figure 11-4 display scatter plots of the gold and silver re-assay results respectively for 9 coarse reject samples.

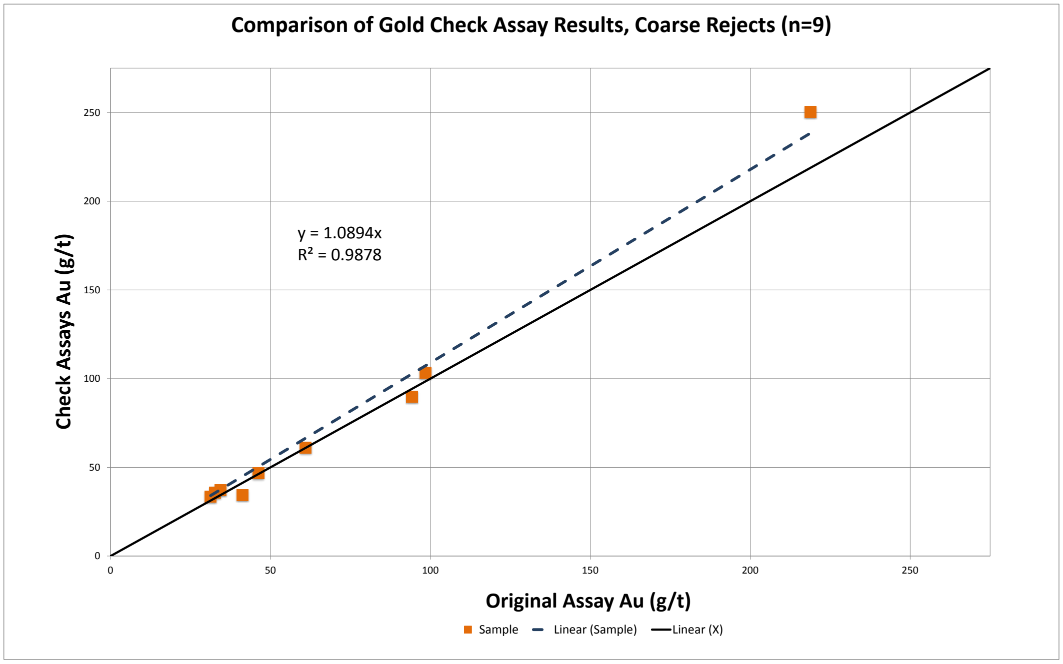


Figure 11-3
Scatter Plot of Gold Re-Assay Results

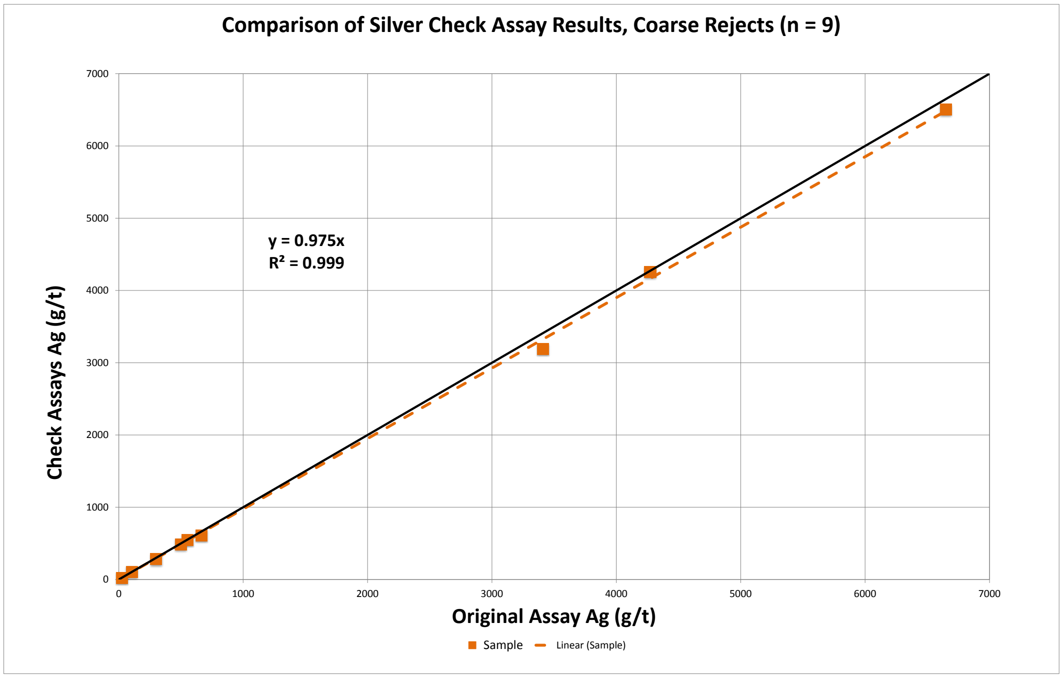


Figure 11-4
Scatter Plot of Silver Re-Assay Results

11.3.5 Suitability of QA/QC

CAM are of the opinion that PGSA's sample preparation, security, and analytical procedures yielded samples of sufficient reliability to be appropriate for use in Resource estimation.

11.4 Specific Gravity

The weight-to-volume ratio in rocks is conveniently referred to as "bulk density", as it refers to that ratio as measured when taking into account the porosity, oxidation, moisture content, and other properties of a rock containing a variety of minerals and voids. This ratio is commonly referred to as "specific gravity", whereas that term may also be reserved for the weight-to-volume ratio of specific mineral species or other homogeneous phases.

11.4.1 Methodology

Measurements of specific gravity (SG) were initially performed by Alex Stewart Labs on 91 individual, HQ half-core pieces.

The methodology used by Alex Stewart was by water displacement, the methodology for which is as follows:

a) The sample is oven-dried and then allowed to cool
b) The sample is weighed = P1
c) The sample is immersed in liquid paraffin and weighed = P2
d) The sample is hung in a support and then immersed in a container filled with water.
e) The sample is placed in a support and then weighed = P3

The specific gravity of each core sample was defined using the following equation:

$$SG = \frac{P1}{P2-P3-[(P2-P1)/0.86^*]}$$

(*Specific gravity of paraffin)

In early 2012, 357 new measurements of specific gravity were performed by PGSA onsite for which all the determinations were carried out on ½ HQ3 core by PGSA geologists.

Core samples were selected so as to represent the three main styles of mineralization (crackle breccia, breccia, vein hosted) from within the oxide and sulfide zones. Individual core samples were of a minimum length of at least 10cm for which a photographic record is kept for all samples.
Prior to weighing of the selected drill core samples a aluminum alloy cylinder of known constant density was weighed in both air and when submersed fully in water in order to provide a check that the methodology and apparatus were functioning correctly.

For each selected core piece, the dry weight was measured and subsequently the core was sprayed with hair spray and its weight when fully submerged in clean fresh water was recorded.

The specific gravity of each core sample was defined using the following equation:

SG= weight dry/ (weight dry – weight submerged)

11.4.2 Specific Gravity Results

The range of SG values were calculated from samples representing the spectrum of lithologies, mineralization types and oxidization states for the 448. However, for resource reporting purposes CAM combined these for the three zones as shown in Table 11-2.

Table 11-2
Summary of Specific Gravity Results

Zone	Oxide State	S.G. Mean	S.G	S.G	SG	No. Samples
			Maximum	Minimum	Std Dev.	
All samples	NA	2.44	3.00	1.50	0.19	448
Mineralization Type						
	0	2.44	2.68	2.06	0.15	26
Oxide	1001	2.36	1.50	1.50	0.20	205
Sulfide	2001	2.51	2.00	2.00	0.15	197
Pyrite veinlets	4001	2.55	2.20	2.20	0.15	20

The peak specific gravity value (3.00) relates to weakly silicified breccia gouge with abundant sulfide mineral species. The higher specific gravity compared to that of samples taken from intervals of crackle breccia and veinlet mineralization is considered to be largely due to the comparatively enhanced levels of silica- sulfide / Fe Oxide in the breccias.

The approximate 6% increase in specific gravity between the non-oxide and oxide portions of each respective mineralization types is interpreted to be due to the enhanced levels (5 to 10 percent) of sulfide species (in the non-oxide zone) compared to the more leached and supergene altered, clay rich, oxidized zone.

PGSA are continuing the improved specific-gravity measurement program, in order to increase the precision and the accuracy of the averaged data by rock type. These measurements should be calibrated with standard density samples (e.g. sealed aluminum tubes); covering the range of densities encountered in the deposit (SG's about 1.5 to 3.0).

11.4.3 Assessment of Specific Gravity Results

CAM believes that the results in Table 11-2 above are credible, and are suitable for use in resource estimation. However additional readings are needed to confirm the values for each of the several mineralized material types present at Cap-Oeste. This is particularly true in the area of open pit overburden. CAM also recommends that the correlation of depth and specific gravity be reviewed for the oxide and area the open pit.

12.0 DATA VERIFICATION

Data were provided to CAM in a series of Excel spreadsheets . A summary of the exploration database received from PGSA is given in Table 12-1

Table 12-1
Cap-Oeste Drilling Statistics from Assay Database

Item	Number	Length (m)
Holes	468	91019.5
Holes with non-collar downhole surveys	424	87371.8
Non-collar survey records	3542	85715.8
Downhole surveys down	4010	85715.8
Assay intervals (Au)	27462	32478.1
Assayed intervals (Au)	27462	32478.1

As discussed in section 14 the resource estimate was done by Geovariances with review and checks by CAM. CAM always checks resource estimates with a different software system, and used MicroModel for this check. The first step in this check is converting data from the various sources to MicroModel format. After data conversion CAM ran its standard check procedures on the database. Some issues were found and reported to PGSA , but these should not have a substantive effect on the overall resource estimate.

CAM uses automated data processing procedures as much as possible in constructing and auditing geologic databases to assure consistency and minimize errors and costs. These procedures depend heavily on consistent alphanumeric attribute codes and consistent and non-duplicated field labels and drillhole IDs. While many of the issues flagged by these automated procedures are obvious to a human, CAM requires a clean and consistent database before proceeding with geological modeling. Common inconsistencies include:

- Misspellings.
- Confusion of 0 (zero) and the letter O.
- Inconsistent use of upper and lower case.
- Inconsistent usage or space _ and -.
- Trailing, leading or internal blanks. (CAM routinely changes all blanks to positively identify this problem).
- Inconsistent use of leading zeros in hole IDs.
- Inconsistent analytical units (e.g. PPM, PPB, opt, %, etc).
  Inconsistent coordinate systems and units (e.g. NAD27 and state plane or mine grid): ft and m.

For manually generated databases, CAM generally regards an error rate of less than one in 500 good, an error rate of less than one in 100 acceptable and an error rate greater than two in 100 as unacceptable. The acceptability or unacceptability of the database also depends heavily on the impact of the errors. Hence the values for acceptability in unacceptability may easily change by an order of magnitude depending on the nature of the errors. For example a dropped decimal point in a value of 37 for an actual value of 0.37 is much more serious than the entry of a 0.36 for a 0.37. For computer-generated databases any errors may be indicative of problems in data processing procedures and these require resolution of the source of the problem.

The CAM check procedure generates a number of false positives (possible issue which are actually correct). In general if the number of items flagged is less than 2% of the total records the database is acceptable.

CAM also reviews the procedures used to prepare the database and is particularly critical of the common practice of cutting and pasting to obtain the database.

Different companies and even different personnel within the same company have different methods for drilling, sampling, sample prep and analysis and record-keeping. In some cases it may be necessary to de-weight the results of certain drilling campaigns or types of drilling.

Over the years CAM personnel have developed a procedure for mathematical and statistically validating exploration databases. This check procedure includes:

- Check for duplicate collars.
- Check for twin holes.
- Check of surface collared holes against surface topography
- Check for statistically anomalous downhole surveys
- Calculate approximate difference in XYZ location due to differences in hole desurvey algorithms
- Check for overlapping assays
- Check for zero length assays
- Check for long assay intervals
- Review of assay statistics by grade class.
- Review of assay statistics by length class.
- Checks for holes bottomed in ore
- Check for assay values successively the same.
- Check for assay spikes.
- Check for downhole contamination by decay analysis.

- Check of total grade thickness in to and by mineral zone
- Bias testing between drilling campaigns and drilling type as appropriate

On the basis of these checks, CAM believes that the exploration database has been prepared according to industry norms and is suitable for the development of geological and grade models. CAM also believes that the data have been properly vetted and are suitable for use in preparing a resource model for feasibility and financial decisions.

13.0 MINERAL PROCESSING AND METALLURGICAL TESTING

During the period from 2008 to 2012 a series of tests have been conducted on a variety of grind sizes for both oxide and sulfide mineralization including gravity concentration, bottle roll and a combination of gravity, flotation and aggressive cyanidation.

13.1 Gravity Concentration Testing

For gravity-concentration tests, 18 samples weighing between 10 and 13 kg were submitted to Acme Analytical Laboratories which subsequently sub-contracted SGS Minerals to conduct the work.

The samples were first milled in a roll crusher to 100% less than 10 mesh ASTM (approximately 2 mm). For each sample, two representative 500-g crushed sub-samples were obtained using a rotary splitter.

One was retained as a reference sample, and the other was further pulverized to 100% passing 150 mesh ASTM (105 µm), and analyzed by fire assay to determine the gold head grade. Each sample that returned results over 5 g/t Au was re-analyzed and the gold content was determined by means of a gravimetric finish. The head grades of the samples were found to range from 1.1 g/t to 21.2 g/t Au with an average of 4.6 g/t Au.

The gold concentration tests were conducted on a gravitational table whereby the sample was initially weighed to determine the percentage loss during the process after which the pulp was prepared with 25% of solids, which after 30 minutes of agitation was pumped to the fed to the gravitational table at a flow of approximately 15 litres/hr. As the table is fed the separation generated three products including the concentrate, mixed and residue. The end products were filtered, dried and weighed to prepare for the samples for chemical analysis and determine the gold distribution in the total sample.

The calculated head gold grade of the gravity separated samples was determined using the weights of each product and the respective gold analyses, which were then compared with the analyzed head grade from the original sample split.

Results from this work suggested that this method is able to recover between 10 to 20% of the contained gold of a given sample.

13.2 Bottle Roll Cyanidation Tests

Bottle roll cyanide leach tests were conducted on 4 batches during 2008-2010 by three laboratories:

- Bottle roll testing of the Batches 1 and 2 employed the following parameters:
  - 45 element ICP scan after multi acid digestion.
  - 50-gram Fire assay.
  - Active Cyanide Leach on each 500-gram sample with 1 percent NaCN solution with sampling of the pregnant CN liquor after 6, 12 and 24 hours.
  - Analysis of gold in solid residue after cyanidation by 50-gram fire assay method.
- **Batch 1, July, 2008:** OMAC Laboratories, an affiliate of Alex Stewart Assayers (with an ISO 17025 accreditation) based in Loughrea, County Galway, Ireland. This batch consisted of 15 gold-mineralized samples, which were composited from 97 individual course rejects selected from 7 RC and 12 diamond holes. The samples selected were from the oxidized and partially oxidized portions of fault-hydrothermal breccia hosted gold mineralization from the Main Shoot. At the time of selection of these samples, the relative importance of silver was not considered. Consequently, the focus of attention was directed towards the gold contents and recoveries.
- **Batch 2, August, 2008:** Alex Stewart Assay and Environmental Laboratories Ltd, Kara-Balta, Kyrgyzstan. This batch comprised 12 samples of both gold and silver mineralization, which were composited from 97 individual coarse rejects selected from 9 mineralized intervals from 7 diamond holes. These composites comprised material from predominantly non-oxidized portions of fault-hydrothermal breccia hosted and disseminated gold mineralization at Cap-Oeste from both Shoot A and Shoot B.
- **Batch 3, July, 2009: SGS Laboratories, Santiago, Chile.** The third batch comprised 4 samples submitted for both gold and silver mineralization, consisting of predominantly non-oxidized fault-hydrothermal breccia and veinlet style gold mineralization from the above-mentioned shoots, for which the methodology of the test was similar to that for Batches 1 and 2 except that the leach time was extended to 72 hours
- **Batch 4, October, 2010: SGS Laboratories, Santiago, Chile.** The fourth batch comprised 3 main categories of sample types derived from comprised mainly fault-hydrothermal breccia hosted and veinlet style gold mineralization from the Shoot A which were sourced from 109 individual drilling samples from 15 diamond holes, 75 individual drilling samples from 6 diamond holes and 156 individual drilling samples from 10 metallurgical diamond holes (COM1-COM 10) and 2 RC holes. These samples were selected to yield composite grades similar to what was envisaged as likely material (based on grade and oxidation state) for Heap Leach, Dump Leach and Hypogene extraction and leaching scenarios.

The categories were denominated as:

- heap - 12 oxide ore composites;
- dump (ROM) - oxide ore composites; and
- hypogene - 12 sulfide ore composites.

In the case of the ‘Heap’ and ‘Dump’ categories, the principal aim of this test work was to simulate pad leaching and determine the effect of varying grind sizes (75 µm, ¼’’ (6.3mm) and ½’’ (12.5mm) and leach times, on the bottle roll recoveries of Au and Ag.

The leach tests were initially conducted on both Au and Ag recoveries for the 75 µm fraction for each composite in each category over 1, 6, 10 and 24 hours. Cyanide leach tests on 2 kg samples were then conducted on the 1/4″ and 1/2″size fractions, for the ‘Heap’ and ‘Leach’ composites respectively, over 1, 4, 7, 11 and 14 days (corresponding to 24, 96, 168, 264, 336 hours).

In the case of the Hypogene category, the principal aim of the test work was to determine the Au and Ag recoveries for the 75 µm fraction over varying bottle roll leach times between 1, 6, 10 and 24 hr.

The individual Heap, Dump and Hypogene category composites were analyzed for Au, Ag, total sulphur, sulfide and trace elements by ICP. As part of the sample preparation for the bottle roll tests for the hypogene samples, representative sub-samples were retained for future Bond Rod Mill Work Index tests.

13.2.1 Batch 1 Test Results

Sample characteristics, trace element geochemistry and bottle roll gold leach results from the first batch are shown in Figure 13-1. In summary, the results showed average recoveries of 96.3, 97 and 97.3 percent, after 6, 12 and 24 hours, respectively. The three highest grade composite samples, between 17.5 to 26.75 g/t Au (average 22.67 g/t Au), returned an average recovery of 98.7, 98.5 and 99% after 6, 12 and 24 hours respectively.

One of the composites (No. 4) that returned relatively lower recoveries (93.3% recovery after 6 hours) consists of oxidized and partially oxidized mineralized material. The other composite sample (No. 6) with a similar mix of materials returned a higher average recovery of 96.3%. During these tests no lime or cyanide consumption concentrations were analyzed.

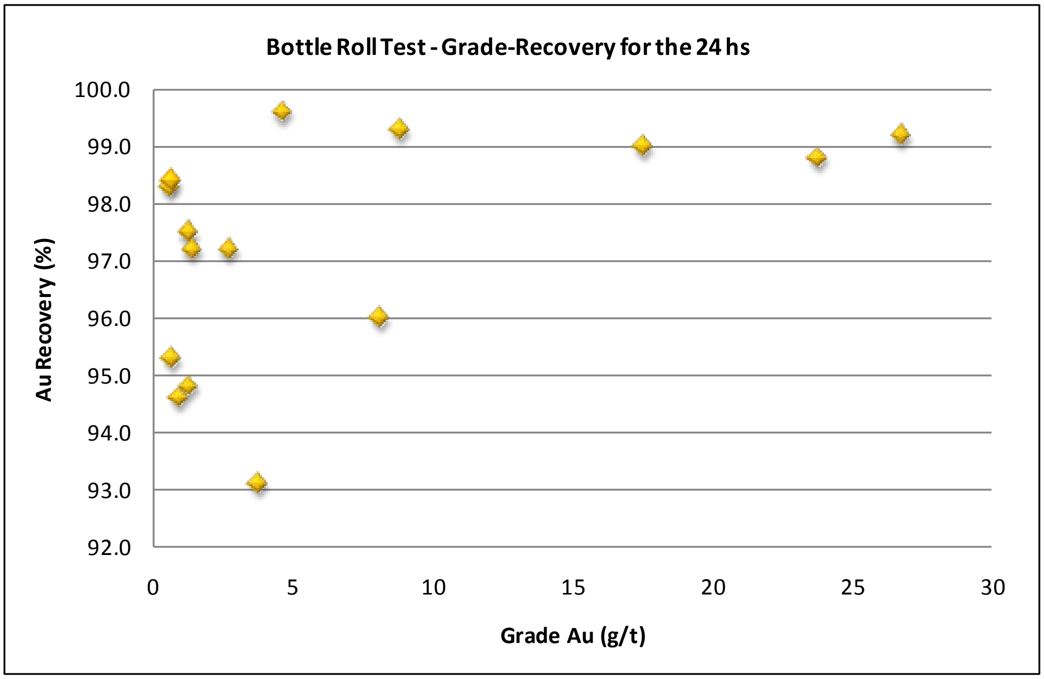


Figure 13-1
Gold Grade vs. Recovery Results for
the 24-hr Bottle Roll Tests, Batch 1

13.2.2 Batch 2 Test Results

All but two of the composites tested in this batch were from un-oxidized core. Graphs showing the percentage recoveries of gold by selected grade ranges (between 0 to 18 ppm Au and 0 to 154 ppm Au) are provided in Figures 13-2 and Figures 13-3. Graphs showing the percentage recoveries of silver by selected grade ranges (between 0-100 ppm Ag and 0 to 2,500 ppm Ag) are provided in Figures 13-4 and 13-5.

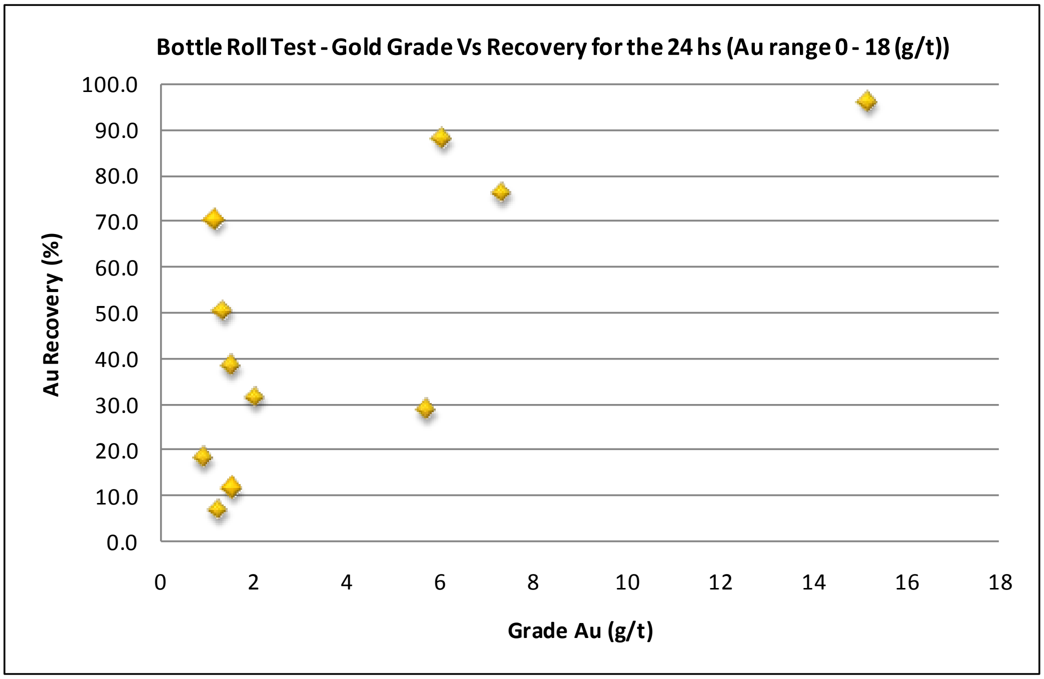


Figure 13-2
Batch 2-Gold Grade vs. Recovery (0 – 18g/t Au)

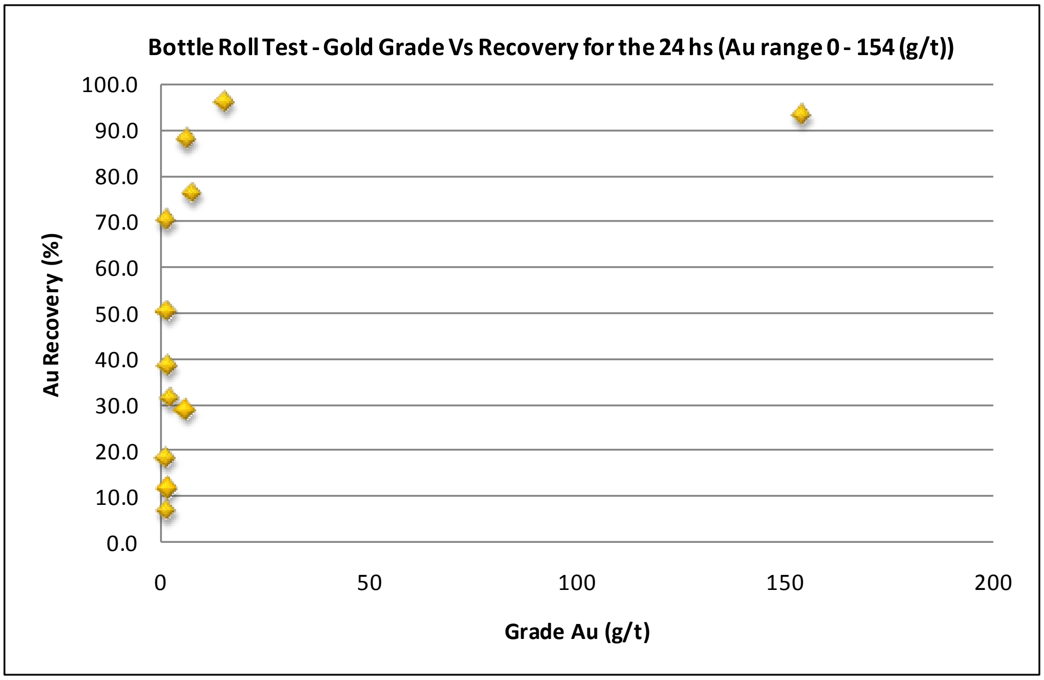


Figure 13-3
Batch 2- Gold Grade vs. Recovery (0 – 154 g/t Au)

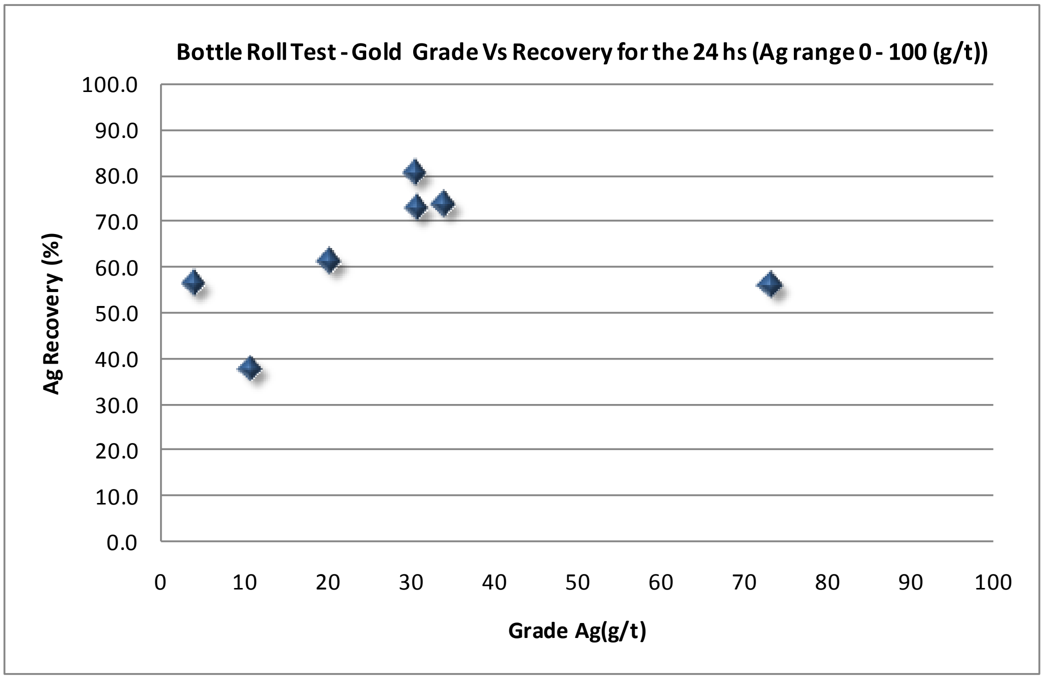


Figure 13-4
Batch 2- Silver Grade vs. Recovery (0 – 100 g/t Ag)

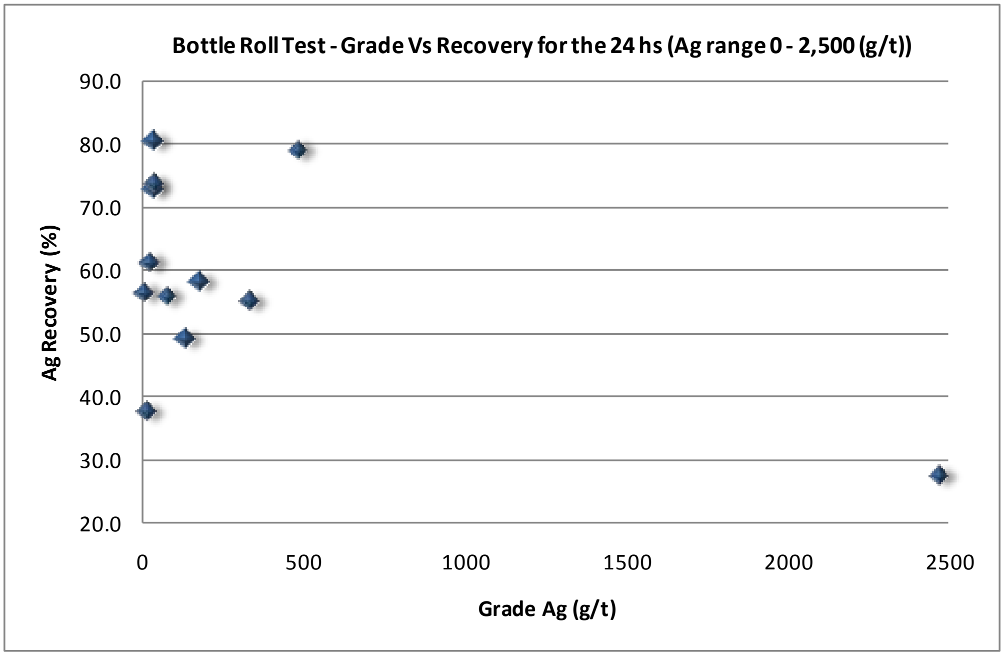


Figure 13-5
Batch 2- Silver Grade vs. Recovery (0 – 2,500 g/t Ag)

The relationship between arsenic concentration and gold and silver recoveries is shown in Figures 13-6 and 13-7, respectively.

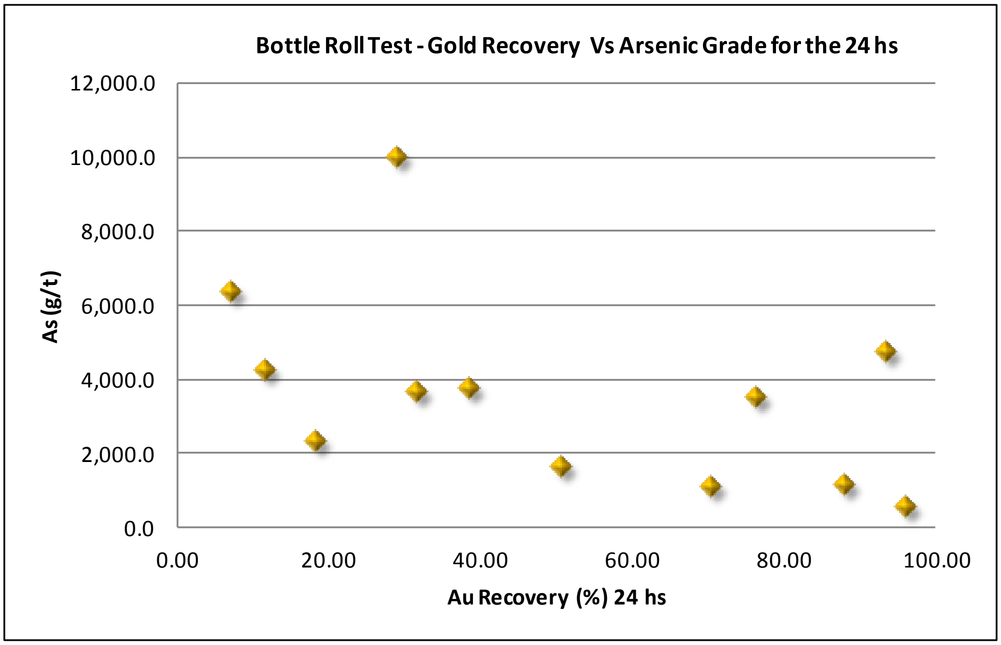


Figure 13-6
Batch 2-Comparison of Arsenic Values vs. Gold Recoveries

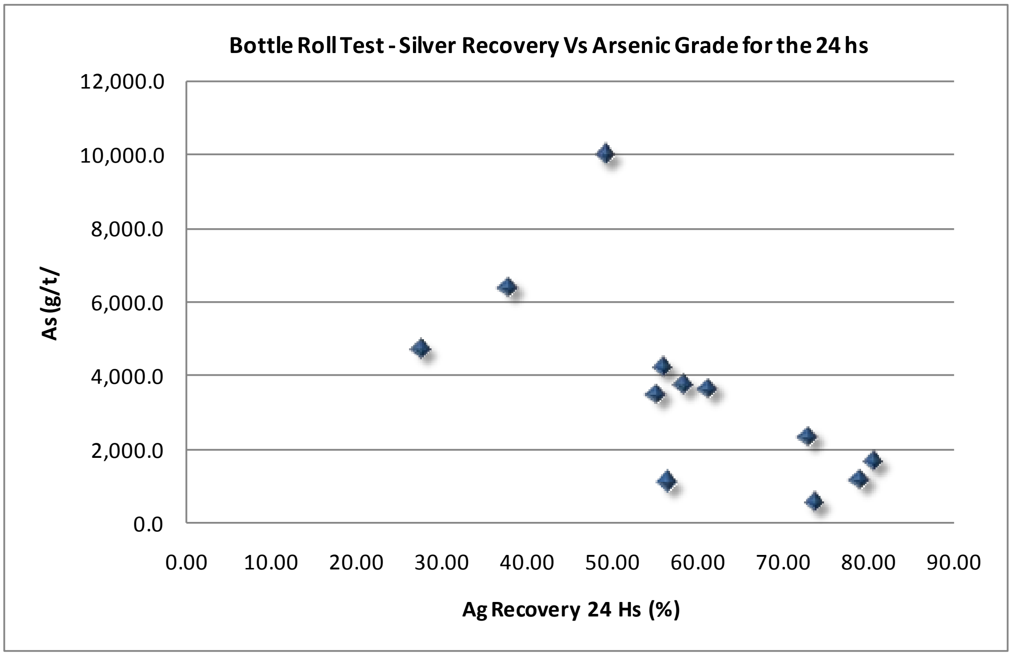


Figure 13-7
Batch 2-Comparison of Arsenic Values vs. Silver Recoveries

13.2.3 Batch 3 Test Results

Results of the gold and silver recoveries versus grade are shown graphically in Figures 13-8 and 13-9 respectively. In summary, the results suggest that the longer leach time of 72 hours consistently achieved an average of approximately 12% and 7% more recovery for Au and Ag respectively, compared to those of 24 or 48 hrs.

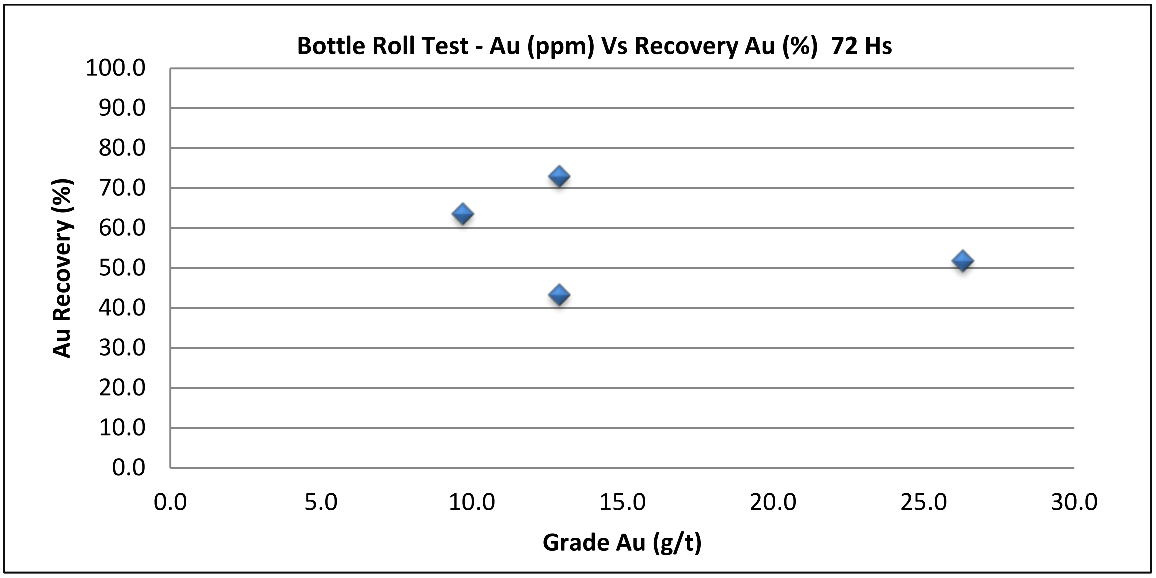


Figure 13-8
Batch 3- Gold Grade vs. Recovery- 72 hr

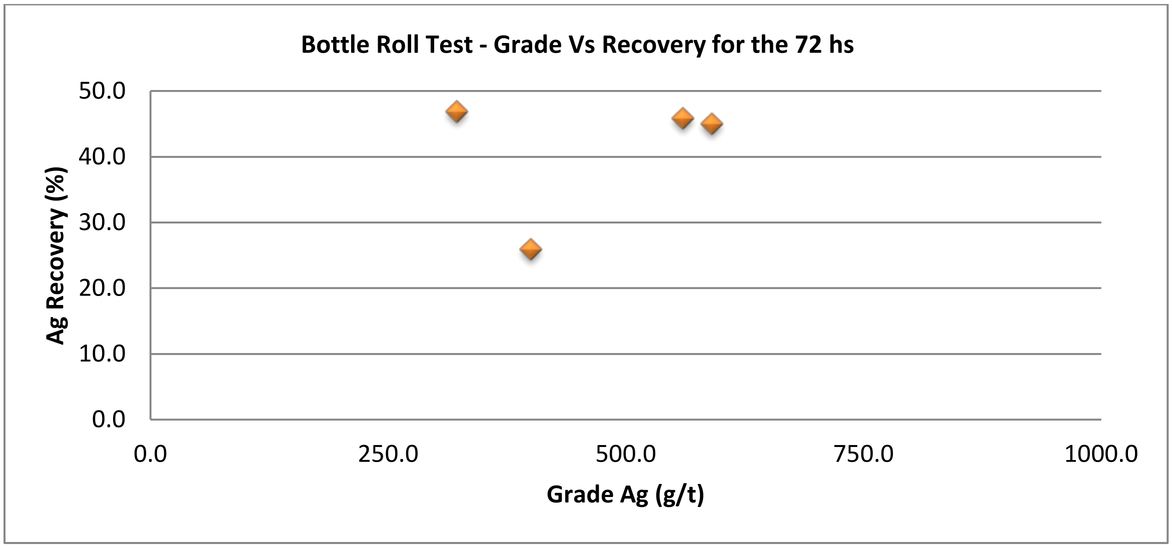


Figure 13-9
Batch 3- Silver Grade vs. Recovery- 72 hr

13.2.4 Batch 4 Test Results

Heap Composites

Graphs showing the gold recovery versus leach times for the 24 hour, 75µm size fraction test, for Heap 1 through 6 and Heap 7 through 12 are shown in Figures 13-10 and 13-11 respectively.

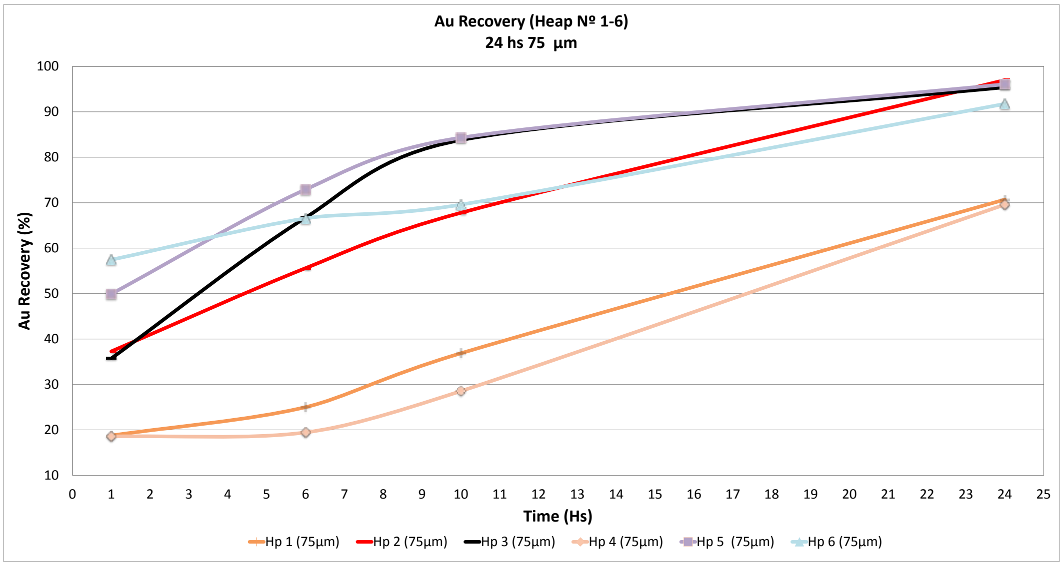


Figure 13-10
Batch 4, 24 Hour, 75µm Fraction, Heap 1-6, Leach Test
Composite Bottle Roll Test Results

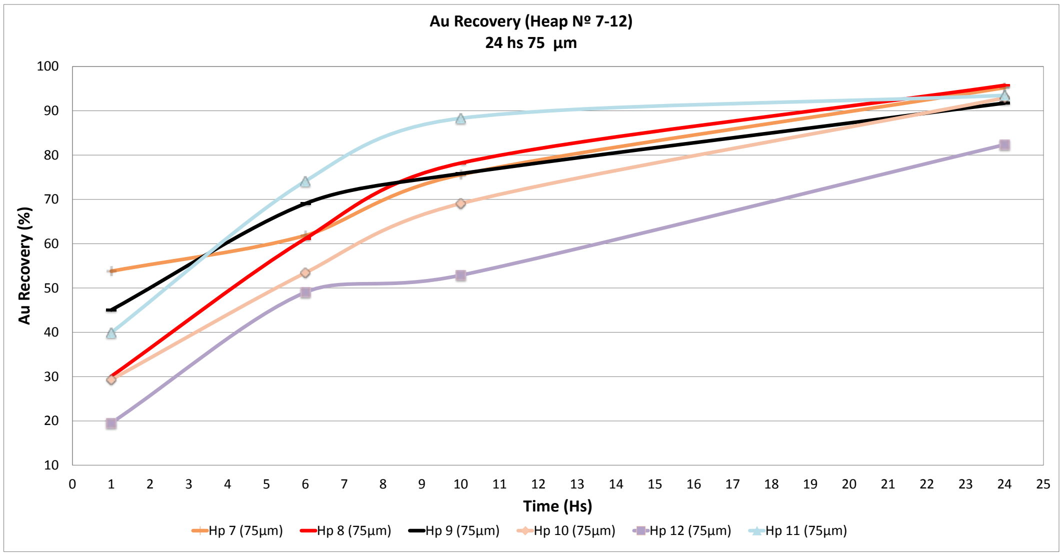


Figure 13-11
Batch 4, 24 Hour, 75µm Fraction, Heap 7-12, Leach Test
Composite Bottle Roll Test Results

Graphs showing the gold recovery versus leach times for the 336 hour, ¼ inch size fraction test, for Heap 1 through 6 and Heap 7 through 12 are shown in Figures 13-12 and 13-13 respectively.

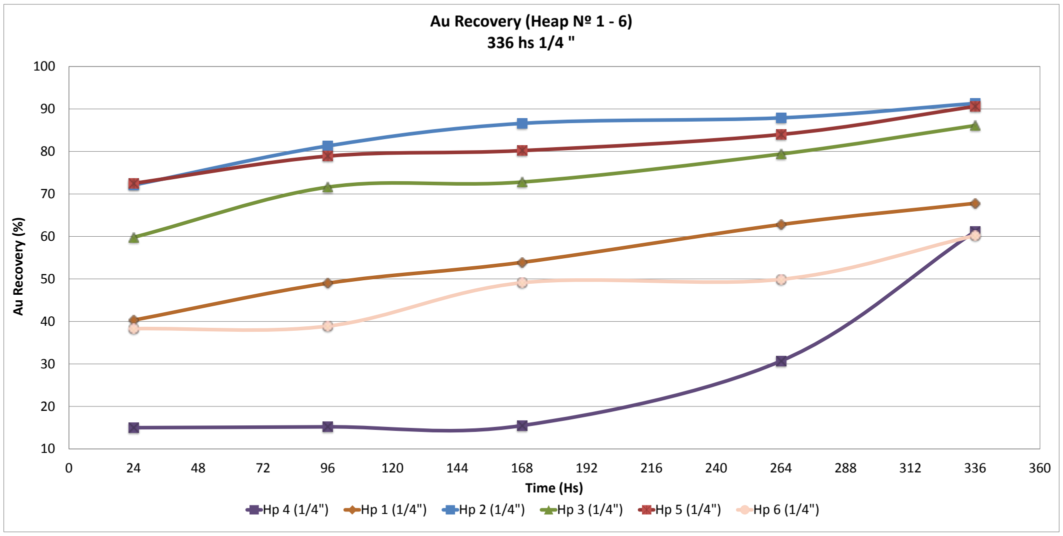


Figure 13-12
Batch 4, 336 Hour, ¼ inch Fraction, Heap 1-6, Leach Test
Composite Bottle Roll Test Results

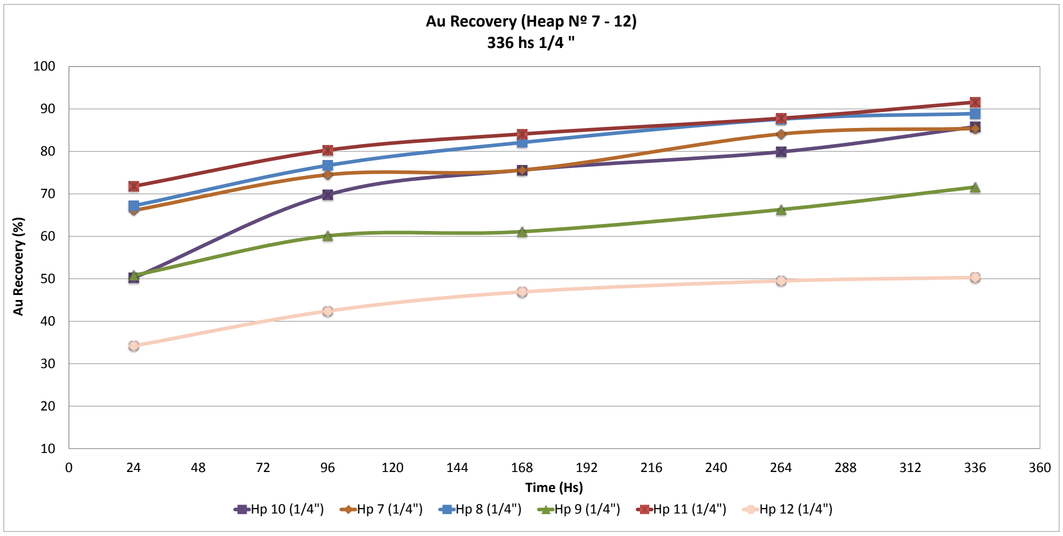


Figure 13-13
Batch 4, 336 Hour, ¼ inch Fraction, Heap 7-12, Leach Test
Composite Bottle Roll Test Results

Dump Composites

Graphs showing the gold recovery versus leach times for the 24 hour, 75µm size fraction test, for Dump 1 through 6, and the 366 hour, ½ inch size fraction test, for Dump 1 through 6 are provided in Figure 13-14 and Figure 13-15 respectively.

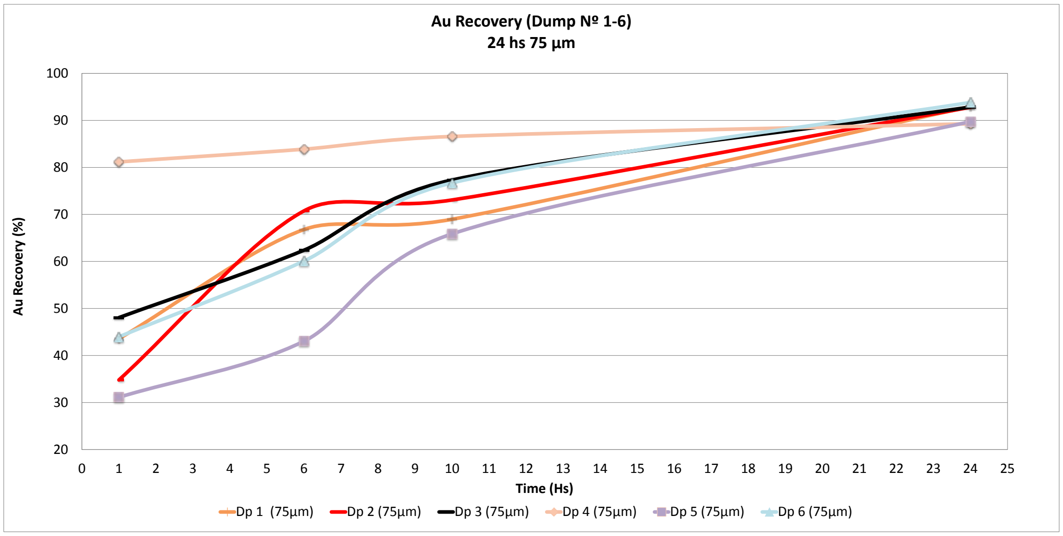


Figure 13-14
Batch 4, 24 Hour, 75µm Fraction, Dump 1-6, Leach Test
Composite Bottle Roll Test Results

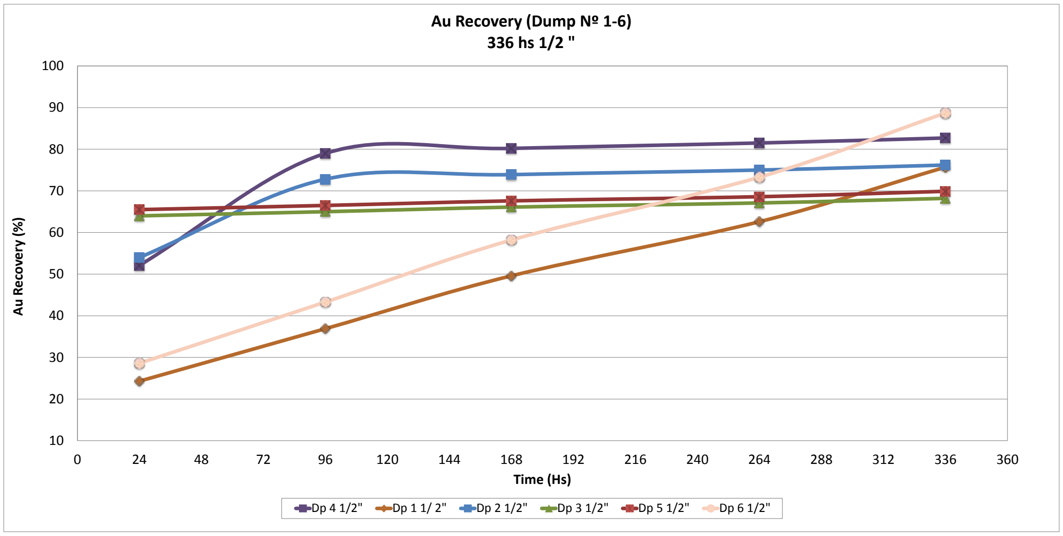


Figure 13-15
Batch 4, 336 Hour, ½ inch Fraction, Dump 1-6, Leach Test
Composite Bottle Roll Test Results

Hypogene Composites

Graphs showing the recoveries for gold and silver versus the respective grades are provided in Figures 13-16 and Figure 13-17 respectively.

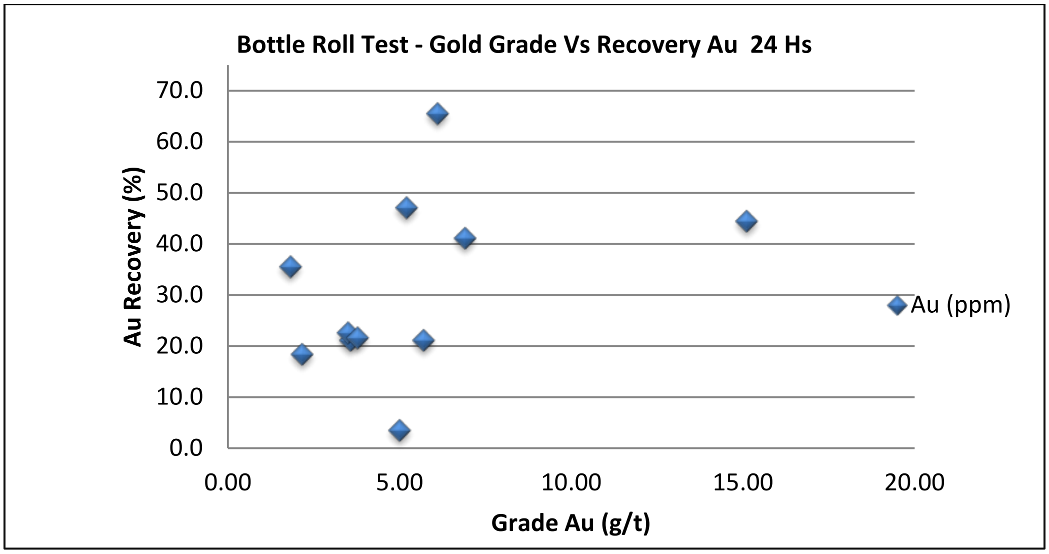


Figure 13-16
Batch 4- Hypogene Composites- Gold Grade vs. Recovery- 24hr-75µm

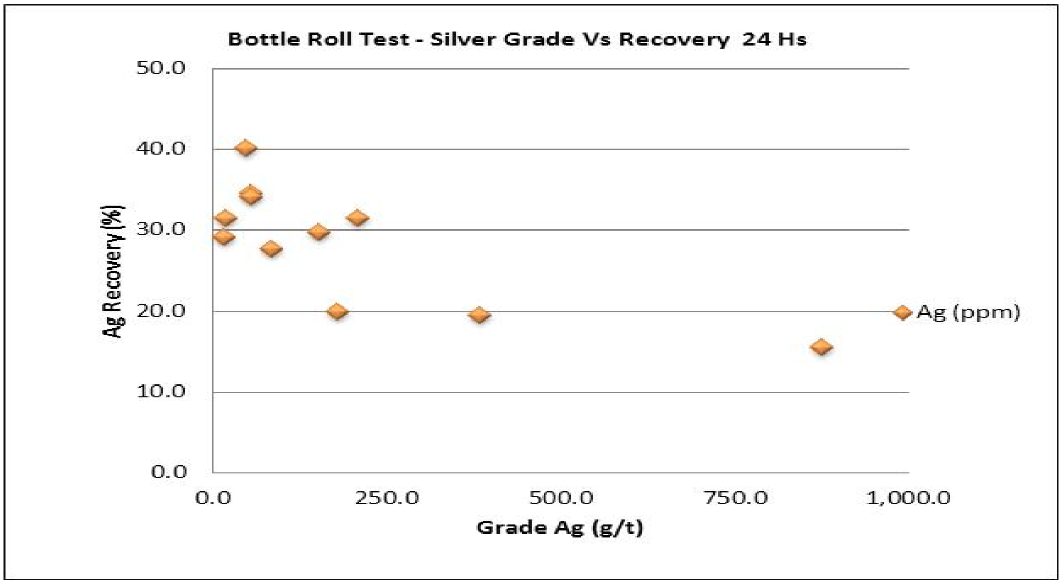


Figure 13-17
Batch 4- Hypogene Composites- Silver Grade vs. Recovery- 24hr-75µm

13.2.4 Discussion of Bottle Roll Results

The results of the Bottle Roll tests detailed below were used as the basis for assumption regarding recovery estimates and selection of amenable mineral processing techniques.

<u>Batch 1</u>

Tests on oxide gold mineralization from 15 samples in Batch 1 indicate that the gold is highly amenable to cyanide extraction of gold, as an average of 96.3% of gold was leached in the first 6 hours. Partially oxidized mineralization tested in two samples in Batch 1 returned good average recoveries of 95.1%. No analysis for silver recoveries has been conducted to date on any samples from Batch 1.

<u>Batch 2</u>

Fresh, sulfide-hosted gold-silver mineralization tested in 10 samples in Batch 2 returned variable cyanide leach recoveries between 6.9 to 96.1% for gold (averaging 47.7%) and 27.5 to 79.5% for silver (averaging 54.6%), after 24 hours.

Partially oxidized-hosted gold-silver mineralization tested in two samples from Batch 2 returned variable cyanide leach recoveries between 63.25 to 68.5% for gold (averaging 63.3%) and 58.1 to 78.9% for silver (averaging 68.5%) after a 24 hour leach time.

Bottle roll extraction periods were limited to a maximum of 24 hours for all the composites, at which point all the tests indicate that leaching was continuing.

Fresh, sulfide-hosted (NoOx) and partially oxidized (POx) mineralization reported differing average gold and silver extraction rates over 6, 12 and 24 hours respectively including:

Gold:
1hr: NoOx 35.7% vs. POx 62.6%
12 hr: NoOx 37.2% vs. POx 59.1%
24 hr: NoOx 48.4% vs. POx 63.3%

Silver:
1hr: NoOx 22.1% vs. POx 43.0%
12 hr: NoOx 30.1% vs. POx 53.1%
24 hr: NoOx 49.7% vs. POx 67.7%

As shown in Figure 13-2, a positive correlation between gold value and gold recovery is evident particularly between the grade ranges between 0 and 18 ppm Au.

As shown in Figure 13-6 (albeit based on a relatively low number of data points), an overall negative correlation is indicated between arsenic concentrations and gold recoveries for arsenic values greater than approximately 6,000 ppm. It is interpreted from comparisons between concentrations of arsenic and gold in the non-oxide (NoOx) mineralization that several populations exist, of differing types of gold-silver mineralization, which are characterized by differing arsenic:gold ratios. A strong negative linear correlation between arsenic concentrations and gold recoveries suggest that a considerable portion of the gold and silver occurs in a refractory state with pyrite and arsenopyrite.

Lime consumption varied between 1.14 and 3.34 kg/t (average 1.59 kg/t) and cyanide consumption varied between 0.26 and 1.32 kg/t (average 0.47 kg/t)

Batch 3

This batch consisted of four samples of hypogene ore material from four holes located in the Shoot A for which the leach time was extended to 72 hours and the recoveries were determined at 48 hours and 72 hours.

As shown in Figure 13-8, gold recoveries after 72 hrs for the 4 samples averaged 58% and varied from between 43.3% and 73%. As shown in Figure 13.9, silver recoveries after 72 hrs for the 4 samples averaged 41% which varied from between 26% and 46.9 %. As shown in Figures 13-10 and 13-11, an increase in recovery was achieved with the extended leach time whereby the comparative increase in recovery with respect to the 48hr leach time achieved an average of 12% and 7% for gold and silver respectively.

Batch 4, Heap Leach Composites

Geochemical analysis reported a head grade between 1.0 and 9.6 g/t Au (average 4.4 g/t Au) and 1213 Ag (average 167.8 g/t Ag) for the Heap composite samples.

Leach tests over 24hr for the 75 µm fraction for this category achieved average gold recoveries of 89%, (ranging from 69.6% and 97%), and for Ag achieved an average recovery of 54.8% (ranging from 14% and 81.3%).

Leach tests over 24hr for the ¼’’ fraction for this category achieved average gold recoveries of 53.2%, (ranging from 15% and 72.5%) and for Ag achieved average recoveries of 23.5% (ranging from 5.9% and 53.3%).

Leach tests over 336 hr for the ¼’’ fraction for this category achieved average gold recoveries of 77.6%, (ranging from 50.3% and 91.6%) and for Ag achieved average recoveries of 39.6% (ranging from 10.1% and 72%).

The ¼’’ fraction of the individual composites 1, 4, 6, 9, 10 and 12 returned gold recoveries averaging 38% (ranging from 15-58%) and silver recoveries averaging 28% (ranging from 13.4-53.3%). These latter composites host elevated values of sulphur (0.7-1.5%) and/or higher concentrations of Arsenic which suggest the existence of minor remnant partial sulfide material. For these latter composites, finer grinding to 75 µm increased the recoveries for both gold and silver to averages of 83% (ranging from 69.6-92.9%) and 59% (ranging from 48.7-81.3%) respectively.

Overall for all the composites from this batch, the gold and silver recovery (24 hr) on 75 µm is approximately 30 - 50% higher than for the ¼” fraction, and the gold and silver recovery on the ¼” fraction in 14 days was 10% less than the recovery on the 75 µm fraction over 24 hr.

As shown in Figures 13.10 and 13.11, leach time curves for the ¼’’ fraction for each composite to 336 hours display shallow to moderate gradients which indicates continued leaching potential for longer leach cycles.

Batch 4, Dump Leach Composites

Geochemical analysis reported a head grade between 0.37 and 0.6 g/t Au (average 0.45 g/t Au) and 8 to 29 g/t Ag (average 17.8 g/t Ag) for the Dump composite samples.

Leach tests over 24hr for the 75 µm fraction for this category achieved average gold recoveries of 91.9%, (ranging from 89.3% and 93.8%), and for Ag achieved an average recovery of 31.5% (ranging from 8.2 % and 55.3%).

Leach tests over 24hr for the 1/2’’ fraction for this category achieved average gold recoveries of 48.1%, (ranging from 24.3% and 65.5%) and for Ag achieved average recoveries of 9.6 % (ranging from 1.4% and 23.1%).

Leach tests over 336 hr for the 1/2'' fraction for this category achieved average gold recoveries of 76.9 %, (ranging from 68.2 % and 88.7 %) and for Ag achieved average recoveries of 14.7 % (ranging from 3.7 % and 35.5%).

Overall for all the composites from this batch, the gold and silver recovery (24 hr) on 75 µm is approximately 90% and 300% higher respectively than for the 1/2" fraction, and the gold and silver recovery on the ½'' fraction in 14 days was 20 and 30% less respectively than the recovery on the 75 µm fraction over 24 hr.

As shown in Figure 13-12, the leach time curves for the 1/2'' fraction for each composite to 336 hours display shallow to steep gradients, especially in the case of Composites 1 and 6, which serve to indicate good continued leaching potential for longer leach cycles.

Batch 4- Hypogene Composites

Geochemical analysis for the Hypogene composite samples reported a head grade averaging 5.3 g/t Au (ranging between 1.8 and 15.1 g/t Au) and averaging 189.1 g/t Ag (ranging between 17 and 875 g/t Ag).

Results for this batch returned relatively low and highly variable cyanide leach recoveries for the 75µm fraction after 24 hours which averaged 31.1% for gold (ranging from 3.5 to 65.50 %) and 25.5% for silver (ranging from 15.6 to 40.2 %) which are consistent with the relatively low results reported from hypogene samples from Batches 2 and 3.

13.3 Mineralogical Characterization and Gravity/Flotation/Cyanidation Metallurgical Testwork

Two separate studies involving flotation testwork on sulfide composite samples and a combination of gravity, flotation and cyanidation testwork on oxide composite samples from the Cap-Oeste project were completed to scoping study level. SGS Mineral Services, an independent laboratory located in Chile, conducted mineralogical characterization and flotation testwork on the sulfide material in coordination with AMEC and G &T Metallurgical Services Ltd, an independent consulting firm located in British Colombia, conducted the metallurgical tests on the oxide sample.

13.3.1 Sulfide Testwork

SGS in coordination with AMEC conducted the following testwork.

Preparation and Characterization of Ore Composite Samples:

- Preparation of 2 hypogene composites from the samples sourced from Batch 4 (see above from 2010) ground to 100µm

- Chemical characterization of composite samples by: Au, Ag, As, S(total), S(sulfur) and ICP-scan.
- Mineralogical characterization of hypogene composites (Qemscan BMA)
- Work index (ball Bond and rod Bond tests) for hypogene composites
- Sequential gold dissolution tests (diagnosis tests) for hypogene composites
- Milling time determination for hypogene composites

Precious metal grades of the two sulfide composite samples were 4.2 g/t Au and 66 g/t Ag (Composite 2) and 6.5 g/t Au and 256 g/t Ag (Composite 3). As shown in Figure 13-18, for these samples further testwork included:

- Kinetics rougher flotation tests
- Intensive Cyanidation tests with flotation-concentrate samples
- Chemical and mineralogical composition of concentrates (Quemscan TMS)
- Pressure oxidation of flotation-concentrate samples

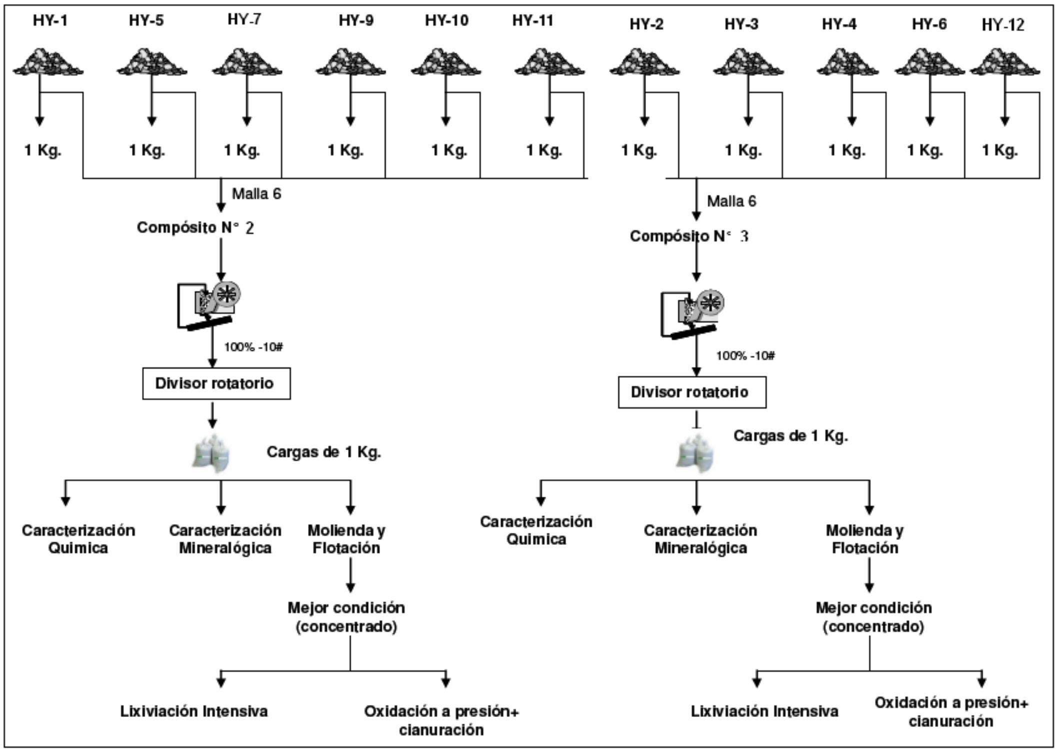


Figure 13-18
Preparation Flow Chart for Hypogene Samples (Check Intensive Cyanidation-Pressure Oxide)

13.3.2 Kinetics Rougher Flotation Tests & Intensive Cyanidation tests with Flotation-Concentrate Samples

The flotation tests were conducted on 1kg of material for each sample for flotation times of 1, 3, 5, 6, 10, 15 y 30 minutes.

Results for both the concentrate grade and percentage recovery over time is presented in Table 13-1 and in Figures 13-19 and 13-20. After a 30 minute cycle time recoveries of Au were 88.3% and 77.7% for composite samples 2 and 3 respectively while Ag reported 95.5% and 83.2% respectively for the same 2 samples.

Table 13-1
Flotation Recoveries Over Time for Au and Ag

Test	Concentrate Grade Au (g/t) over Time					Recovery Au (%) over Time				
	1 min	5 min	10 min	15 min	30 min	1 min	5 min	10 min	15 min	30 min
Comp 2	13.5	11.6	12	11.8	9.1	12	32.7	55.1	74.7	88.3
Comp 3	74.4	34.5	26	22.5	17.5	22.6	45.7	63.2	72.8	77.7

Test	Concentrate Grade Ag (g/t) over Time					Recovery Ag (%) over Time				
	1 min	5 min	10 min	15 min	30 min	1 min	5 min	10 min	15 min	30 min
Comp 2	872	482	324	246	167	45.6	80.4	87.4	92.4	95.5
Comp 3	5477	2306	1431	1104	814	39.3	70.3	80.1	82.2	83.2

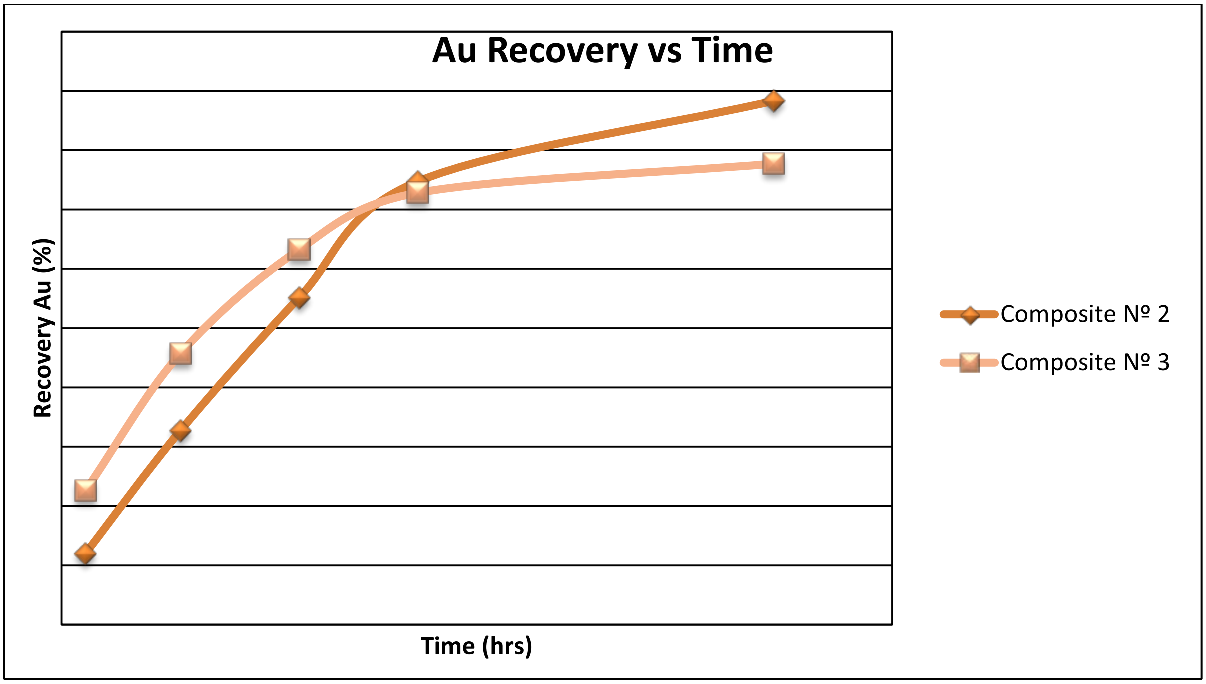


Figure 13-19
Au Recovery Versus Time for Flotation for Composite 2 & 3

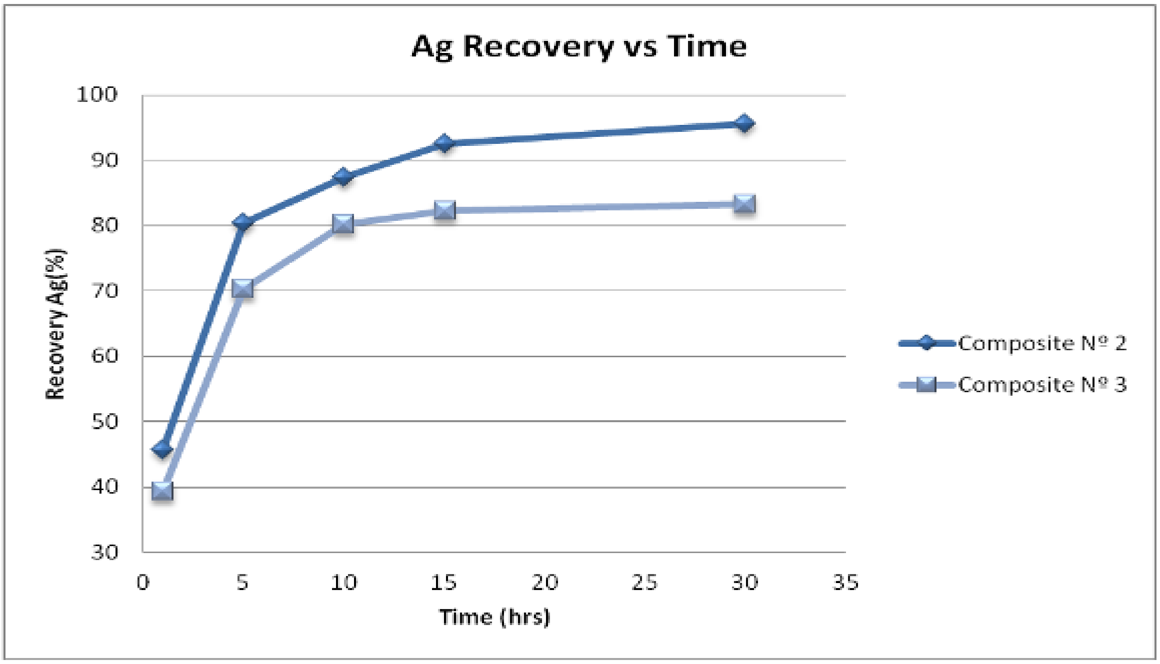


Figure 13-20
Ag Recovery Versus Time for Flotation for Composite 2 & 3

An analysis of the mineral composition of hypogene composites was perfomed using Qemscan which returned results as shown in Table 13-2.

Table 13-2
Mineral Composition of Hyopgene Composites
(Qemscan BMA -212 + 3 Microns Particle Size 18 Microns)

Mineral	Composite 2 (wt%)	Composite 3 (wt%)
Argentojarosite	0.00	0.00
Proustite	0.00	0.01
Pyrargyrite	0.00	0.01
Argentite	0.01	0.08
Tetrahedrite-Ag	0.00	0.00
Chalcopyrite	0.01	0.02
Pyrite	2.88	1.77
Arsenopyrite	2.61	0.65
Molybdenite	0.00	0.00
Sphalerite	0.01	0.05
Galena	0.00	0.00
Quartz	51.49	54.69
Feldspar	22.10	24.20
Sericite/Muscovite	16.90	13.75
Biotite	0.06	0.04
Chlorite	0.05	0.04
Clays	2.85	3.52
Fe Oxides/Oxyhydroxides	0.09	0.10
Ti Oxides	0.69	0.50
Carbonates	0.11	0.37
Barite	0.01	0.01
Alunite	0.00	0.00
Apatite	0.04	0.10
Other Sulfates	0.00	0.01
Other	0.06	0.09
Total	100.00	100.00

13.3.3 Oxide Testwork

G&T Metallurgical Services Ltd, used the Bulk Mineral Analysis with Liberation (BMAL) feature in QEMSCAN to investigate the mineral content and mineral fragmentation properties of the master oxide composite and a series of gravity concentration, cyanidation, and open circuit rougher flotation testing was used to investigate the recovery of gold and silver from the global composite. Tests included gravity separation and cyanidation, non-aggressive (test 2) and aggressive (test 4), gravity separation, flotation and rougher flotation only.

A medium grade single composite oxide sample was prepared from 12 Cap-Oeste drill core samples with a total estimated weight of 67.2 kilograms which hosted Au and Ag grades of 6.78 and 604 g/t respectively. The sample was constructed from the 12 samples using weights of each sample that were proportional to the weights of each received.

As shown in Table 13-3 for the composition of the composite sample, the sulfur grade in this sample was low at 0.23% indicating that the overall sulfide mineral content in the sample was low.

Table 13-3
Original Sample Composition for G&T Testwork

Sample	Element for Assay			
	Au (g/t)	Ag (g/t)	Fe (%)	S (%)
Master Composite	6.78	604	1.41	0.23

13.4 Mineral Content and Fragmentation Data

The sulfide mineral content in the sample was low, estimated at about 0.3 percent. Observed sulfide minerals, in order of abundance, were pyrite (0.2 percent) and silver sulfides (0.1 percent). Minor amounts of arsenopyrite, galena, and chalcopyrite were also observed.

Silver was mainly observed to be present in the minerals acanthite/argentite, a silver sulfide mineral series. About 70 percent of the observed silver was present in this form. The balance of the observed silver was present, in order of abundance, in polybasite (15 percent), native silver (10 percent), and jalpaite (5 percent).

The silver minerals were generally poorly liberated with a two dimensional liberation estimate of about 12 percent. The unliberated silver mineral was mainly in binary form with nonsulfide gangue, but about 10 percent was also observed in multiphase particles.

The non-sulfide gangue, which comprised 99.7 percent of the sample weight, was very well liberated at about 98 percent, estimated from the BMAL data.

13.5 Metallurgical Test Results

On average, silver and gold were about 33 and 28 percent recovered to the pan concentrate. The average silver and gold grades in the pan concentrates were 43,000 g/t and 546 g/t respectively.

As shown in Table 13-4 and Figures 13-21 to 13-25, using typical cyanidation conditions (Test 1 and 2) about 89 and 92 percent of the feed gold was recovered with the gravity plus cyanidation flowsheet. Increasing the cyanide strength, adding lead nitrate, and extending the cyanidation time to 72 hours resulted in about 99 and 98 percent gold and silver extractions using the gravity plus cyanidation flowsheet.

Table 13-4
Summary Results of G&T Scoping Level Oxide Metallurgical Testwork

Test	Overall Gold and Silver Recovery							
	Gravity Conc. Dist		Flotation Conc		Cyanidation Bottle Roll		Overall Recovery	
	Au (%)	Ag (%)	Au (%)	Ag (%)	Au (%)	Ag (%)	Au (%)	Ag (%)
1	33.8	26.6	-	-	-	-	-	-
2	33.8	26.6	-	-	92.8	62.6	95.2	72.5
3	29.6	25.7	59.5	65.8	-	-	89.1	91.5
4	33.8	26.6	-	-	98.2	96.6	98.8	97.5
5	34.5	32.6	53.5	60.6	-	-	88	93.2
6	-	-	87.5	92.3	-	-	87.5	92.3

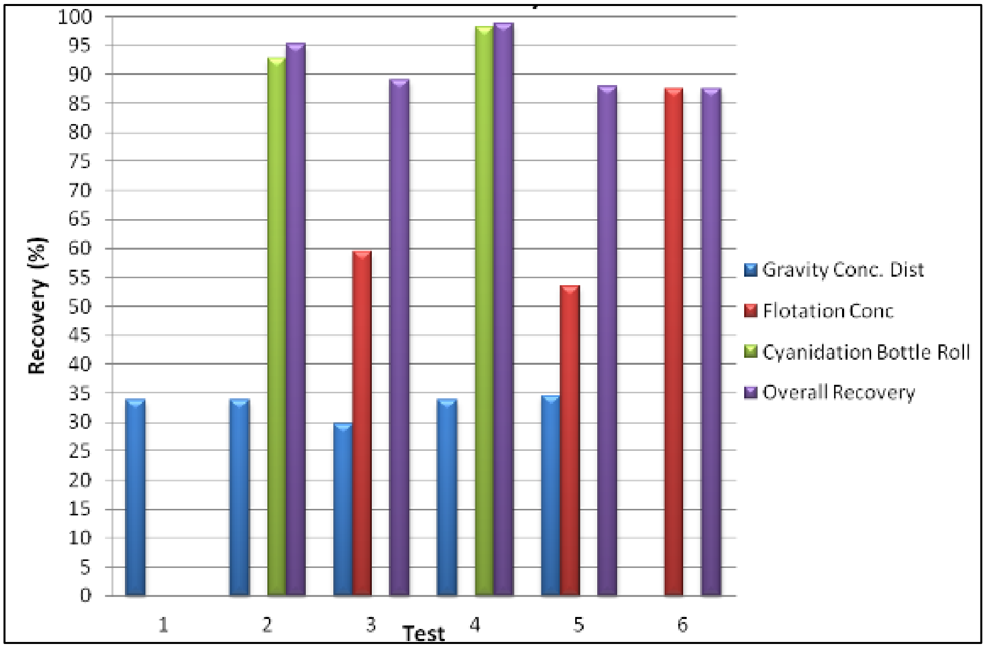


Figure 13-21
Summary Au Recoveries for Tests 1-6

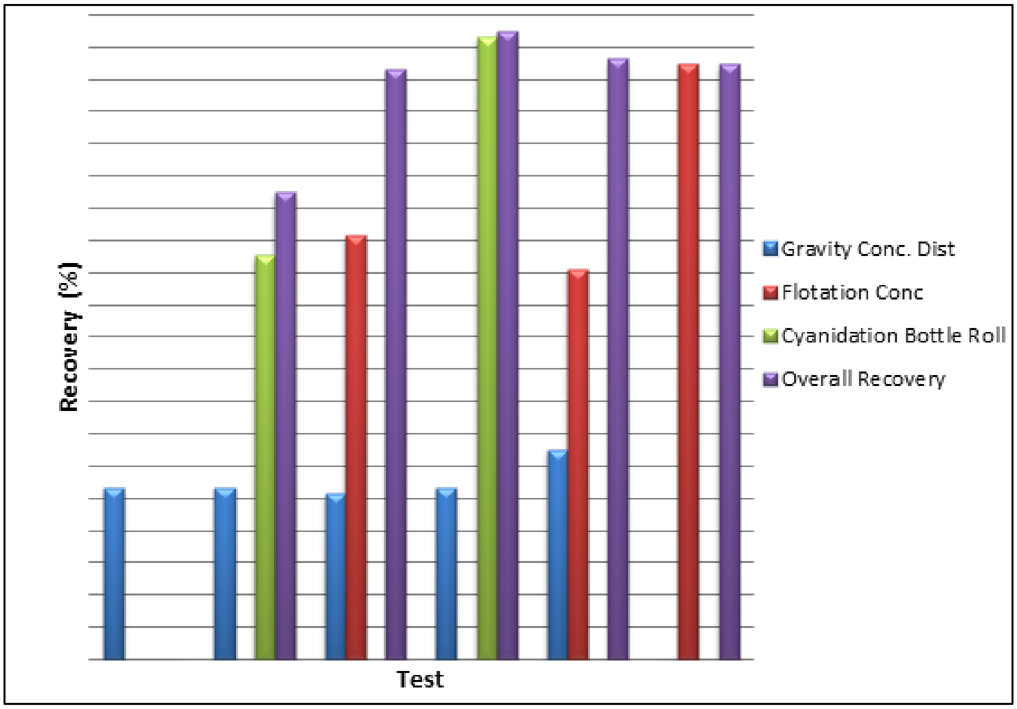


Figure 13-22
Summary Ag Recoveries for Tests 1-6

There was little difference in metallurgical performance between the gravity plus flotation and flotation only flowsheet test results. About 88 and 92 percent of the feed gold and silver were recovered to either the gravity plus flotation or flotation only concentrates.

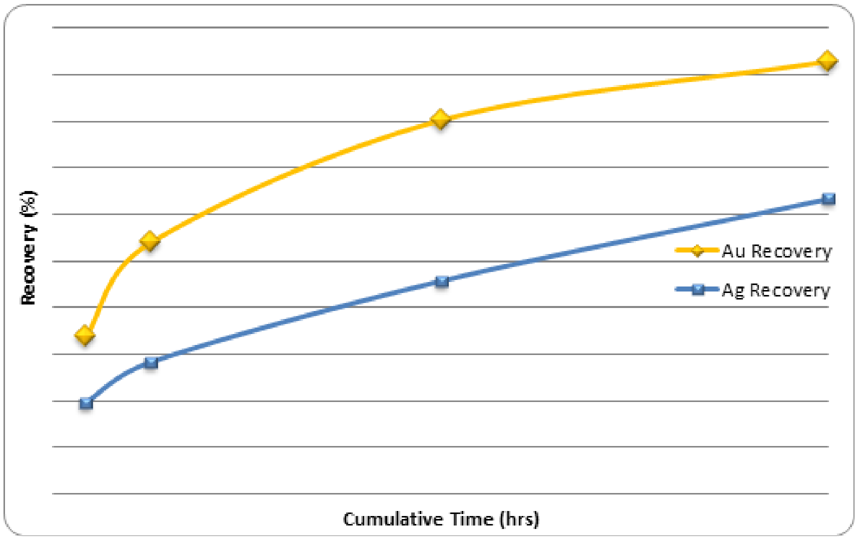


Figure 13-23
Summary Bottle Roll Au & Ag Recoveries for Test 2 (1000 ppm NaCN)

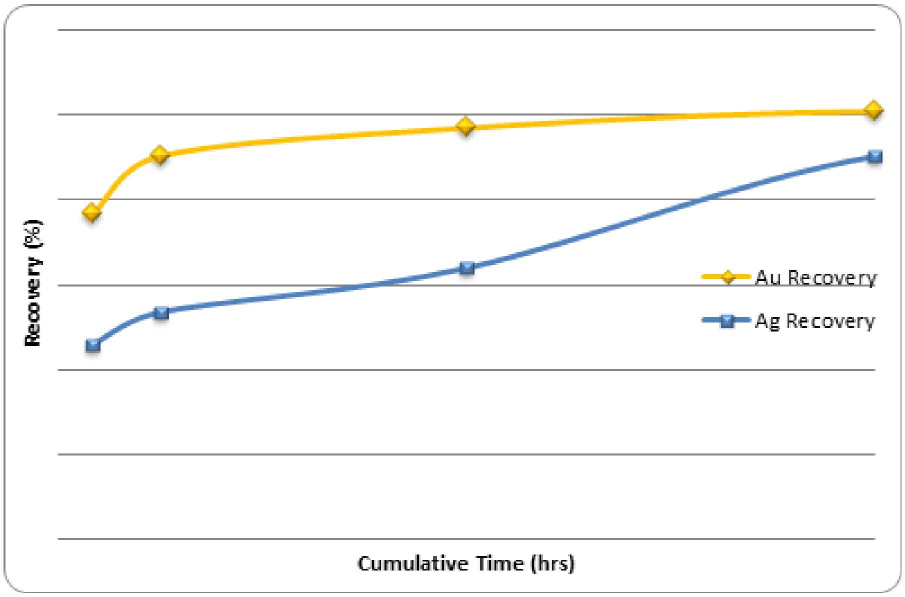


Figure 13-24
Summary Bottle Roll Au & Ag Recoveries for Test 4 (2500 ppm NaCN)

In general, the concentrates contain sufficient gold and silver to consider direct sale and the introduction of flotation cleaning may further improve the market of the flotation concentrate as a product.

G&T Metallurgical Services has been contracted to carry out pre-feasibility level definitive testwork and optimization studies for the Cap-Oeste Sulfide and Oxide material. Approximately 1,000 kg of half core is currently being selected with three grade ranges from each material type. Testwork will include flotation Rougher and Cleaner tests, Knelson Gravity Separation tests, Cyanide leaching, Thickening tests, Bond Rod and Ball tests and QEMSCAN PMA. This testwork program is scheduled to for completion in Q3 2012.

13.6 Summary of Mineral Processing Tests

Preliminary testwork involving concentration of precious metals by a combination of gravity separation, flotation and bottle roll cyanidation has reported encouraging results which suggest that this methodology will achieve substantially enhanced recoveries as compared to conventional cyanidation. Further testwork is currently being conducted which is due to be completed in Q3 2012 which will allow optimized processing flowsheets to be established for the various types of Cap-Oeste mineralization.

14.0 MINERAL RESOURCE ESTIMATES

The resource model was prepared and much of this section was written by Patagonia Gold. It has been reviewed and edited by CAM. Any significant work by CAM is indicated by “CAM” in a sentence or paragraph.

The mineral resource estimate is based on drilling data completed up to December 2011 and hole CO-352-D, completed in late March, 2012.

14.1 Database

Database statistics are summarized in Table 14-1.

TABLE 14-1
Cap-Oeste 2012 Drilling Statistics from Assay Database

Item	Number	Length (m)
Holes	468	91019.5
Holes with non-collar downhole surveys	424	87371.8
Non-collar survey records	3542	85715.8
Downhole surveys down	4010	85715.8
Assay intervals (Au)	27462	32478.1
Assayed intervals (Au)	27462	32478.1

14.2 Model Geometric Parameters

Model geometric parameters are summarized in Table 14-2.

Table 14-2
Cap-Oeste 2012
Model Geometric Parameters

Origin (mt)		Number of		Block Size (m)	
Northing	4687578.48	Rows	60	Row	20.00
Easting	2390731.34	Columns	35	Column	10.00
Elevation	40.00	Benches	180	Bench	2.50
Rotation Angle (315.00)					

The mineralized envelope was modeled in vertical section slices at 25m spacings and horizontal plans slices at 20m spacings. The model was created using three mineralization domains: 1) 1001, mineralized fault breccia with sulfides; 2) 2001, fault breccia with oxides; and 3) 4001, pyrite veinlets with Au-Ag style mineralization in the footwall of the fault breccia.

A 0.50g/t Au cut-off was applied when drawing the oxide mineralization and a 1.0 g/t cut-off applied when drawing the Sulfide, the cut-off grades were rarely used to determine the mineralized boundary as the contact between mineralised breccia and barren country rock in most cases is very clear cut and forms a natural hard boundary with contained grades significantly higher than the applied cut-off, the model is in almost entirely geologically constrained. The geometry of the Cap-Oeste structure is approximately 1.2km in length and averages 12.7m in width and extends up to 350m down dip from outcropping structure at surface.

Shoots of higher grade mineralization exist within the overall structure with widths and grade increasing in these shoots, the shoots plunge towards the west and are associated with cross cutting structures and dilation along the Bonanza footwall structure, the geometry and orientation for these shoots was modeled into the 3D wireframe to capture true geological shape of the mineralized structure. Once the wireframe was completed each section was then rechecked in both plan, vertical and 3D views to make sure the geology and drill data were properly represented. Three domains were modeled 1) Oxide (1001) 2) Sulfide (2001) and 3) Veinlets (4001), the oxide and sulfide domains represented the oxidized and fresh portions of the main Bonanza structure and the contact between the 2 was interpolated via drill hole logging and checked hole per hole with individual core photographs, the veinlet mineralization represents sub-vertical veinlets of sulfide rich material that are located at depth and sub parallel to the Esperanza hanging wall fault, these veinlets were interpolated as a completely separate dataset. All assay data used within the interpolation procedure was then extracted from within the wireframe only and no external data taken into consideration, summary statistics and 3D variography were then completed.

The October 2012 resource estimate for Cap-Oeste was completed using best theoretical geostatistical practices by Oilvier Bertoli of Geovariances (GV) and qualified PGSA personnel, primarily Matthew Boyes. CAM reviewed this estimate, and believes it conforms to best theoretical geostatistical practice. This resource estimate has been validated by an inverse distance-squared model estimate by PGSA and a nearest-neighbor estimate by CAM. The Resource classification was done by CAM's QP for the resource, Robert Sandefur, PE.

Three distinct mineralization domains were used as geostatistical domains for resource estimation

1. Domain 1001: Oxides (in red on the 3D view below);
2. Domain 2001: Sulfides (in yellow on the 3D view below); and
3. Domain 4001: Pyrite veinlet (in green on the 3D view below).

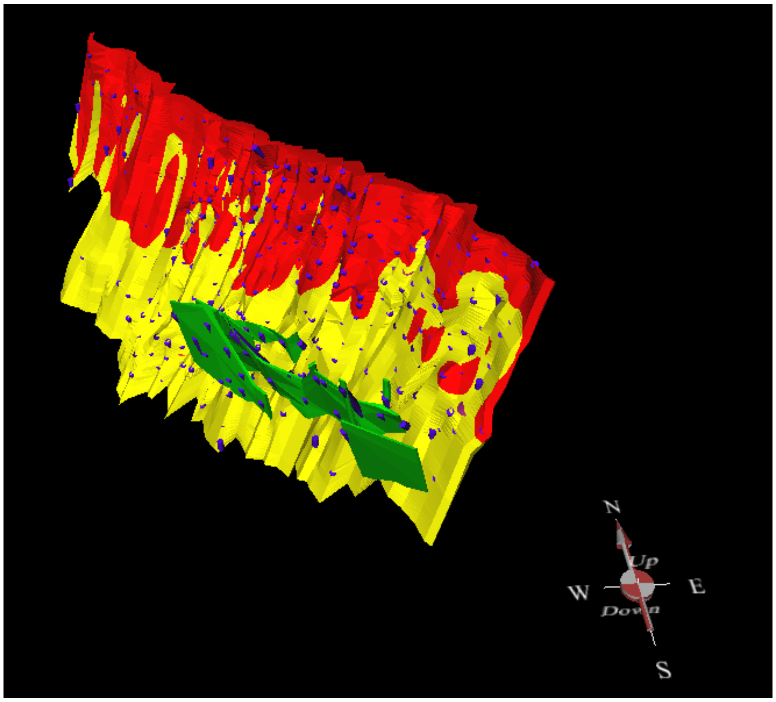


Figure 14-1
3D view of geological domains of interest and drill hole locations (blue).

The three domains used to constrain the resource estimate were constructed by PGSA and delivered as wireframes. Basic statistical analysis was performed on the raw data 2-m length composites and 3-m length composites and is detailed in table 14 –3 through 14 – 5

Table 14-3
Raw Data Statistics by Domain

Raw Data	Domain	Count	Minimum	Maximum	Mean	Std. Dev.	Variance
AG	Code=1001	1,658	0.25	4205.5	51.34	186.55	34,800.04
AG	Code=2001	2,074	0.25	8152.0	139.55	508.56	258,631.19
AG	Code=4001	448	0.25	1960.7	46.99	162.72	26,479,34
AU	Code=1001	1,658	0.01	116.1	1.55	6.29	39.60
AU	Code=2001	2,074	0.01	434.4	4.25	14.47	209.51
AU	Code=4001	448	0.01	42.5	2.18	4.13	17.03

Table 14-4
Composites 2m Length, Statistics by Domain

Composites	Domain	Count	Minimum	Maximum	Mean	Std. Dev.	Variance
AG	Code=1001	945	0,25	2242,0	52,28	141,71	20082,88
AG	Code=2001	1249	0,25	6639,2	130,87	407,21	165823,52
AU	Code=4001	280	0,25	1419,8	43,86	129,81	16849,61
AU	Code=1001	945	0,01	101,8	1,58	5,61	31,52
AU	Code=2001	1249	0,01	229,2	3,88	10,13	102,62
AU	Code=4001	280	0,01	25,2	2,10	3,19	10,16

Table 14-5
Composites 3m Length, Statistics by Domain

Composites	Domain	Count	Minimum	Maximum	Mean	Std. Dev.	Variance
AG	Code=1001	652	0.25	2,658.0	56.89	167.30	27,989.32
AG	Code=2001	873	0.25	4,982.9	126.13	352.47	124,236.85
AG	Code=4001	190	0.25	995.3	41.25	99.28	9,857.10
AU	Code=1001	652	0.01	101.8	1.67	5.75	33.08
AU	Code=2001	873	0.01	125.5	3.80	8.50	72.19
AU	Code=4001	190	0.01	17.5	2.01	2.64	6.97

Wireframes were reviewed for consistency by Geovariances using Isatis Software package along with drillhole and composite database and GV found no inconsistencies. The wireframes were visually reviewed for consistency by CAM and found to be acceptable.

14.3 Boundary Analysis

It is important to know if the geologic domains boundaries for estimation should be hard or soft. Accepted engineering practice for this decision is to plot a profile as a function of distance across the contact. A contact profile between 1001 and 2001 is shown in Figure 14-2.

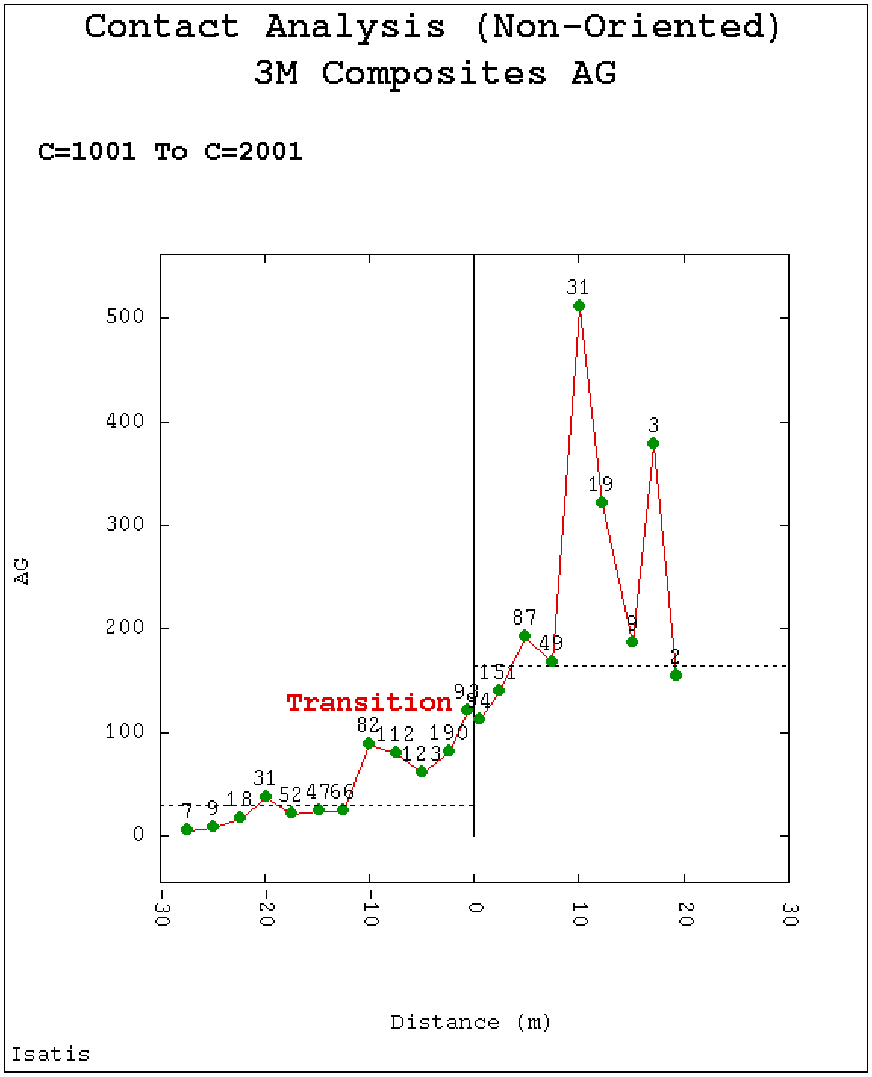


Figure 14-2
Contact Profile between 1001 and 2001

On the basis of this review, and similar figures for other contacts, it was decided to use a hard boundary for estimation. CAM believes that this is acceptable engineering practice.

14.4 High Grade Restriction

Many precious metals deposits tend to have high-grade assays and composites, which may not be reflected in actual mining recovery. These high-grade values may be restricted by capping, restricting their range of influence, or other methods. GV elected to use a model recently developed by Rivoirard (see Reference). CAM believes that this model is theoretically satisfactory, but that further validation with real production data is required. However, in reviewing the cumulative frequency plot, CAM did not see any compelling need for capping, and believes that this capping procedure is acceptable for this particular deposit.

14.5 Variograms

Variograms are a means of quantitatively defining the range of influence of individual samples or composites. Variograms are calculated as one half the average squared difference of the grade of samples or composites separated by various average vector distances.

It is often difficult to obtain easily interpretable variograms for highly skewed datasets such as are typically found in precious metal deposits. For this reason GV transformed the data to a normal distribution, calculated the variogram and back-transformed the resulting variogram to raw data space. CAM believes this is best engineering practice as a Gaussian variogram is generally subject to less ambiguity in interpretation.

Resources were estimated by ordinary kriging. Geovariances reviewed the size of the kriging neighborhood to optimize the estimation process. CAM believes this is best theoretical geostatistical practice.

14.6 Resource Classification

GV suggested a resource classification criteria which is geostatistically and theoretically not unreasonable. However, CAM elected to classify resources as indicated and inferred on a definition based more closely on the requirement of reasonably assumed mineable continuity, as required by CIM guidelines. Note that CAM almost never classifies any resources in a vein type deposit as measured unless actual production has occurred, with good reconciliation.

14.7 Validation the Model by GV

GV validated the data by a series of swath plots which compare the grade of samples or composites used in the estimate to the actual block values. In CAM’s opinion, these comparisons were visually satisfactory.

14.8 Validation of the Model by PGSA and CAM

PGSA validated the model by inverse-squared estimate, which checks to a satisfactory degree. CAM validated both the GV and PGSA models by nearest-neighbor estimates. Overall, the CAM check was very good; however, there is some evidence that the veinlet grade may be overestimated. CAM believes that the overestimation of this particular domain is acceptable for a project at this level of development, but further review is required as the project proceeds to completion.

14.9 Resource Classification

CAM classified the resource as indicated and inferred on the basis of the along-strike contour map of Au grade X thickness, which showed an area where CAM felt that continuity could be reasonably assumed. This volume was digitized and all material within that volume was classified as indicated. Outside this volume, where drilling density is less, the resources were classified as inferred. This is different than the simple distance classification used in the previous estimate, but CAM believes this is best practice and more consistent with the CIM definition.

14.10 Resource Tabulation

Table 14-6 summarizes the Cap-Oeste Indicated Resource grade and contained precious metal ounces by cut-off grade, as of the effective date 23 April 2012. Table 14-7 summarizes the Cap-Oeste Inferred Resource grade and contained precious metal ounces by cut-off grade, as of the effective date 23 April 2012.

Table 14-6
NI 43-101 Resource Statement
Total INDICATED Resources Undiluted Cap-Oeste Project

Cut-Off AuEq (g/t)	Tonnes (000)	Grade			Contained Metal Ounces (000)		
		Au (g/t)	Ag (g/t)	AuEq (g/t)	Au	Ag	AuEq
0.30	7,790	2.93	99.0	4.78	734	24,801	1,197
1.00	6,409	3.43	112.5	5.52	706	23,177	1,138
3.00	2,841	5.20	158.1	8.16	475	14,442	745

(1) Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.
(2) AuEq ounces calculated at 53.5:1 Ag:Au ratio.
(3) Averages and totals may not reconcile due to rounding.

Table 14-7
NI 43-101 Resource Statement
Total INFERRED Resource Undiluted Cap-Oeste Project

Cut-Off AuEq (g/t)	Tonnes (000)	Grade			Contained Metal Ounces (000)		
		Au (g/t)	Ag (g/t)	AuEq (g/t)	Au	Ag	AuEq
0.30	2,369	1.52	52.5	2.50	116	4,001	191
1.00	1,406	2.05	55.1	3.08	93	2,489	140
3.00	239	3.42	41.4	4.16	26	318	32

(1) The quantity and grade of reported Inferred Resources in this estimate are conceptual in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in the upgrading of the Inferred Resources into an Indicated or Measured Mineral Resource category.
(2) AuEq ounces calculated at 53.5:1 Ag:Au ratio.
(3) Averages and totals may not reconcile due to rounding.

Table 14-8 summarizes the Cap-Oeste Indicated Resource grade and contained precious metal ounces by mineralized zone at a 0.30 AuEq (g/t) cut-off grade, as of the effective date 23 April 2012. Table 14-9 summarizes the Cap-Oeste Inferred Resource grade and contained precious metal ounces by mineralized zone at a 0.30 AuEq (g/t) cut-off grade, as of the effective date 23 April 2012.

Table 14-8
NI 43-101 Resource Statement
Total INDICATED Resource Undiluted by Zone Cap-Oeste Project

Mineralized Zone	Cut-Off AuEq (g/t)	Tonnes (000)	Grade			Contained Metal Ounces (000)		
			Au (g/t)	Ag (g/t)	AuEq (g/t)	Au	Ag	AuEq
Oxide	0.30	2,355	1.66	62.8	2.84	126	4,755	215
Sulfide	0.30	4,625	3.72	127.0	6.09	553	18,885	906
VN Sulfide	0.30	810	2.10	44.6	2.92	55	1161	76

(1) Mineral Resources which are not mineral reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.
(2) AuEq ounces calculated at 53.5:1 Ag:Au ratio.
(3) Averages and totals may not reconcile due to rounding.

Table 14-9
Ni 43-101 Resource Statement
Total INFERRED Resource Undiluted by Zone Cap-Oeste Project

Mineralized Zone	Cut-Off AuEq (g/t)	Tonnes (000)	Grade			Contained Metal Ounces (000)		
			Au (g/t)	Ag (g/t)	Aueq (g/t)	Au	Ag	AuEq
Oxide	0.30	1,150	1.06	21.5	1.46	39	795	54
Sulfide	0.30	1,212	1.96	82.2	3.49	76	3,203	136
VN Sulfide	0.30	7	1.22	12.8	1.46	0.3	2.9	0.3

(1) The quantity and grade of reported Inferred Resources in this estimate are conceptual in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in the upgrading of the Inferred Resources into an Indicated or Measured Mineral Resource category.
(2) AuEq ounces calculated at 53.5:1 Ag:Au ratio.
(3) Averages and totals may not reconcile due to rounding.

Recommendations:

1) The database questions raised by CAM, particularly those related to downhole surveys, should be answered. Even if these issues turn out to be errors, they will not have a substantive effect on the overall resource estimate.
2) Review the difference in the grade estimate of zone 4001 (veinlets) relative to the CAM nearest neighbor estimate. Resolution of this item is not likely to affect project feasibility.
3) The project now has sufficient total ounces and grade that mineability needs to be further investigated. Test mining is of course the preferred method of determining mineability, but wedging off existing holes is also an option.
4) Additional drilling in the area currently classified as an inferred should be undertaken to convert at least part of this resource into indicated.
5) The use of different cutoffs should be considered for the three different domains, based on probable mining method (including grade control) and metallurgical factors.
6) Continuing effort by PGSA to identify potential legal, political, environmental, or other additional risks that could materially affect the Resource estimate is recommended.

15.0 MINERAL RESERVE ESTIMATES

No mineral reserves are disclosed in this Technical Report.

16.0 MINING METHODS

Section 16 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

17.0 RECOVERY METHODS

Section 17 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

18.0 PROJECT INFRASTRUCTURE

Section 18 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

19.0 MARKET STUDIES AND CONTRACTS

Section 19 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

20.0 ENVIRONMENTAL STUDIES, PERMITTING & SOCIAL OR COMMUNITY IMPACT

Section 20 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

21.0 CAPITAL AND OPERATING COSTS

Section 21 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

22.0 ECONOMIC ANALYSIS

Section 22 is not applicable to the Cap-Oeste project, which is still at the Exploration Stage.

23.0 ADJACENT PROPERTIES

As previously discussed, significant precious metal mineralization has been defined at the adjacent COSE project, and at several other prospects within a radius of approximately twenty kilometres around Cap-Oeste. The nearby COSE project is discussed in a separate NI 43-101-format report by CAM, submitted to Patagonia Gold in September, 2011. The COSE report was filed on SEDAR in Canada on 6 December 2011, coinciding with the listing of Patagonia Gold on the Toronto Stock Exchange (TSX: PAT) on 7 December 2011. Further exploration drilling is scheduled throughout the COSE, Pampa, Tango, Monte Leon, Don Pancho, Marciana, Vetas Norte, Felix and Breccia Valentina prospect areas in the future (refer to Figure 7-5).

While CAM acknowledges that this ongoing work may lead to eventual expansion of the Cap-Oeste Project, none of the exploration results from adjacent properties were used by CAM in preparing this report. The mineral resources discussed herein lie entirely on the Cap-Oeste project area as defined.

24.0 OTHER RELEVANT DATA AND INFORMATION

The authors are not aware of any additional information, the exclusion of which from this report make it misleading.

25.0 INTERPRETATION AND CONCLUSIONS

Cap-Oeste definitely merits further exploration for additional gold-silver mineralization in an epithermal setting.

Substantial additional work has been completed on the Cap-Oeste project since completion of the CAM report in 2011 including:

- sufficient in-fill drilling in the resource area to increase drill intercept density to a nominal 25 meter centers;
- exploration drilling along strike and down dip of known mineralization; and
- additional metallurgical and mineralogical studies.

CAM is of the opinion that the additional work meets or exceeds best industry practice, and that the resulting exploration database is suitable for use in mineral resource estimation.

Exploration efforts at Cap-Oeste continue to yield encouraging results, both in definition of existing mineralized shoots, and delineation of new zones of mineralization.

Continuing metallurgical testwork has also yielded positive results, particularly in developing a basic flowsheet for treatment of sulfide mineralization. Preliminary testwork involving concentration of precious metals by a combination of gravity separation, flotation and bottle roll cyanidation has reported encouraging results which suggest that this methodology will achieve substantially enhanced recoveries as compared to conventional cyanidation. Further testwork is currently being conducted which is due to be completed in Q3 2012. CAM believes that ongoing metallurgical testwork is well designed, professionally conducted, and will ultimately allow optimized processing flowsheets to be established for the various types of Cap-Oeste mineralization.

The report authors are not aware of any significant risks that could materially impact the mineral resource estimates presented in this report. As with any mining project, potential legal, political, environmental, or social risks are always a factor; however, the regional precious metals production described in Section 7.3.1 - Regional Mineralization helps to demonstrate that regional risks can be addressed. Volcanic ash fall emanating in Chili affected the Project area in 1991 and 2011 as described in Section 5.2 – Access and Infrastructure. The reoccurrence of a similar Chilean event could cause a short term interruption to the Project, and is not expected to have a significant impact on the Project feasibility.

26.0 RECOMMENDATIONS

CAM recommends the following:

1) The broad zones of sheeted to stockwork mineralization where the Bonanza and Esperanza faults converge, should be further drilled as this presents a potential high grade bulk-tonnage style target, especially where intersected by plunging ore shoots.
2) Additional drilling should be undertaken to prove the geometry and continuity of the higher-grade pods currently designated as Shoots F.
3) PGSA should proceed to generate a new mineral resource for the Cap-Oeste project, when the data at hand warrant.
4) Additional bulk-density measurements should be made on core, preferably at least 50 measurements for each type of lithology and mineralization. These measurements should be calibrated with standard density samples (e.g. sealed metal tubes) covering the range of densities encountered in the deposit (SG’s about 1.9 to 2.7).
5) Once the Geovariances geostatistical study is complete, review the need for additional close spaced drilling (probably using wedges) to define the short range mineable continuity in the plane of the vein for both the oxide and sulfide portions of the orebody.
6) Proceed with the resource calculation for both open pit and underground scenarios. This should include a balancing limit between open pit and underground as well as a breakeven pit. Once these designs are obtained, review the need for additional drilling to precisely define the open pit bottom.
7) The Work Program in Table 26-1 is recommended. Phase II is dependent on success in Phase I.

Table 26-1
Proposed Work Program, Cap-Oeste Project

Item	Basis	Unit Cost US$	Total Cost US$	Time Period
Phase 3 and Phase 4, 2012				
Infill & Exploration drilling	116 holes @ 350m = 40,600 m	$ 300/m	$12,180,000	Q1-Q4, 2012
Other Drillholes (geotech, RQD, water, etc	12 holes @ 300 m= 1,500 m	$ 300/m	$1,080,000	Q1-Q4, 2012
Water Bores	5 holes @ 50m = 250m	$ 460/m	$115,000	Q3, 2012
Camp, Geology, Assays	8120m	$ 40/m	$324,800	Q1-Q4, 2012
Geostatistics/Reporting	43-101 Updates Geastats	$80k/month	$240,000	Q2-Q4 2012
Project Overhead,	B.A. office, 12months	$ 30,000/month	$360,000	Q1-Q4, 2012
SUBTOTAL, Phases 3&4			$ 14,299,800	
Phase 5 (studies & test work) 2012, 2013				
Metallurgical tests (Australia-Canada)	estimate	$250,000	$50,000	Q3-Q4, 2012
Pre-Feasibility Study	estimate	$1,200,000	$1,200,000	Q4, 2012-Q3 2013
SUBTOTAL, Phase 5			$1,250,000	
TOTAL, PHASES 3,4 &5			$15,549,800	

27.0 REFERENCES

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28.0 DATE AND SIGNATURE PAGE

This NI 43-101 Technical Report titled “Update of Cap-Oeste Project Santa Cruz Province, Argentina” presented by Chlumsky, Armbrust& Meyer, LLC, and dated October 24, 2012, was prepared and signed by the following authors:

Report Date: October 24, 2012

Signing Date: October 24, 2012

(Signed and Sealed) “Craig S. Bow”

Craig S. Bow, CPG

(Signed and Sealed) “Robert L. Sandefur”

Robert L. Sandefur, P.Eng.

29.0 CERTIFICATES OF QUALIFIED PERSONS

29.1 Craig Bow

I, Craig S. Bow, of Beulah, Colorado, do hereby certify that:

- I am an Independent Consulting Geologist with Chlumsky, Armbrust & Meyer, LLC located at 12600 W Colfax Ave., Suite A-140, Lakewood, Colorado 80215, USA.
- I graduated from the Washington and Lee University in 1971 with a B.S. degree in Geology, and from the University of Oregon in 1979 with a Ph.D. in Geology. I am a Certified Professional Geologist # 08250 of the American Institute of Professional Geologists. I am a Fellow of the Society of Economic Geologists.
- I have practiced my profession continuously since 1979, and have wide-ranging experience in greenfields exploration, prospect evaluation, advanced project development, and exploration management. In the latter capacity I served as Exploration Manager, South America for Newcrest Mining, and as Exploration Manager, North America for Gold Fields. I am the author of several publications on subjects relating to the metals exploration industry.
- I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a “qualified person” for the purposes of NI 43-101.
- I am the author of Sections 2 to 11, 13, 23 to 26, and the relevant parts of Section 1, of the report entitled “NI 43-101 Update of the Cap-Oeste Project Santa Cruz Province, Argentina” dated October 24, 2012 (the “Technical Report”). The Technical Report is based on my knowledge of the Project Area and resource database covered by the Technical Report, and on review of published and unpublished information on the property and surrounding areas. I conducted a site visit on 22-24 April 2008, 21-22 November 2010, and 16-17 August 2011.
- I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I am independent of Patagonia Gold or any of their subsidiary companies applying all of the tests in section 1.5 of National Instrument 43-101.
- I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that Instrument and Form.
- I consent to the filing of the Technical Report with any Canadian stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their website accessible by the public, of the Technical Report.

Dated this 24th day of October, 2012

(Signed and Sealed) “Craig S. Bow”

Craig S. Bow, CPG

29.2 Robert Sandefur

I, Robert L. Sandefur, of Denver, Colorado, do hereby certify that:

- I am an Independent Consulting Geostatistician with Chlumsky, Armbrust & Meyer, LLC located at 12600 W Colfax Ave., Suite A-140, Lakewood, Colorado 80215, USA.
- I am a Certified Professional Engineer (Number 11370) in the state of Colorado, USA, and a member of the American Institute of Mining, Metallurgical and Petroleum Engineers (SME).
- I graduated from the Colorado School of Mines with a Professional (BS) degree in engineering physics (geophysics minor) in 1966 and subsequently obtained a Masters of Science degree in Physics from the Colorado School of Mines in 1973.
- I have practiced my profession continuously since 1969.
- I have been involved with the Cap-Oeste project since 2008 and have participated in the estimation and review of several hundred mineralized shoot or vein type deposits with geostatistical characteristics similar to Cap-Oeste.
- I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a “qualified person” for the purposes of NI 43-101.
- I am the author of sections 12, 14, and 15 and the relevant parts of section 1, 10, and 11 of the report entitled “NI 43-101 Update of the Cap-Oeste Project Santa Cruz, Argentina” dated October, 24 2012 (the “Technical Report”). The Technical Report is based on my knowledge of the Project Area and resource database covered by the Technical Report, and on review of published and unpublished information on the property and surrounding areas. I conducted a site visit on 22-24 April 2008, 21-22 November 2010.
- I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I am independent of Patagonia Gold or any of their subsidiary companies applying all of the tests in section 1.5 of National Instrument 43-101.
- I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that Instrument and Form.
- I consent to the filing of the Technical Report with any Canadian stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their website accessible by the public, of the Technical Report.

Dated this 24th day of October, 2012

(Signed and Sealed) “Robert L. Sandefur”

Robert L. Sandefur, P.E.