



Patagonia Gold PLC : Notice of GM, Proposed re-pricing of options

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Patagonia Gold

("Patagonia Gold" or the "Company")

Notice of General Meeting

Proposed re-pricing of certain outstanding share options

Patagonia Gold Plc (AIM: PGD, TSX: PAT), the gold producer and advanced mining exploration company with gold and silver projects in the southern Patagonia region of Argentina, announces that it is today posting to shareholders a circular containing a Notice of General Meeting to be held at 11.00 a.m. on Monday, 29 July 2013 at the offices of Stephenson Harwood LLP at 1 Finsbury Circus, London EC2M 7SH, together with a form of proxy. The circular, containing the Notice of General Meeting, is available from the Company's website at www.patagoniagold.com.

The purpose of the General Meeting is to seek shareholder approval for a proposed re-pricing of 17.7 million outstanding share options ("Options") held by directors and employees of the Company granted during the period from February 2011 to January 2012, details of which are set out below.

The Options granted before December 2011 were granted pursuant to individual standalone deeds and subject to the terms therein. The Options granted after 1 December 2011 were granted pursuant to the terms of the Patagonia Gold Plc Unapproved Executive Share Option Scheme (the "Plan") the terms of which state that the re-pricing of certain options granted thereunder requires shareholder approval. All the Options are exercisable in full from the date of their respective grant.

The Options are currently significantly 'underwater' compared to the current market price of an Ordinary Share (being 7.95p as at close of business on 10 July 2013, the latest practicable date prior to publication of the circular) and the Directors believe that they are not therefore acting as an effective incentive to the holders of the Options. The Options were granted during a period when the Patagonia Gold share price experienced a sharp increase, which the Directors believe was largely in response to significant takeover activity in the gold sector during 2010, most significantly the successful bid for Andean Resources by Goldcorp in September 2010 in a competitive bid process, and prevailing record gold prices as uncertainty about the global economic outlook continued. Whilst the Company has successfully made significant progress in achieving its development objectives throughout the intervening period, including most significantly the commencement of gold production from Lomada de Leiva, external factors, such as the recent decline in the gold price and a drop off in takeover activity, have led to the current share price being significantly below the level at which the Options were granted. Further, in accordance with applicable corporate governance guidelines, the Plan has a cap on the overall number of options that may be outstanding at any time. As such, to simply issue further additional options would limit the ability of the Company to issue other options going forward to prospective and existing employees given the level of remaining headroom available under the Plan.

Accordingly, in recognition of the importance of options as part of the Company's compensation strategy, the Directors have recommended that the Options be re-priced to bring them in line with current market price of the Ordinary Shares and thus align the interests of current holders of the Options with those of shareholders.

The re-pricing of the Options issued pursuant to standalone deeds does not formally require shareholder approval nor is any such approval required pursuant to the terms of the AIM Rules of the London Stock Exchange. Notwithstanding this, as a matter of good governance, the Company has resolved in any event to obtain the approval of shareholders of the Company for the re-pricing of all the Options.

It is proposed that the Original Exercise Price in respect of the Options be amended to 11 pence per Ordinary Share (the "New Exercise Price"), being equal to a 10 per cent. premium to the 30 day volume weighted average share price of the Company for the period ended 10 July 2013 (being the latest practicable date prior to publication of the circular). The New

Exercise Price represents a 38 per cent. premium to the mid-market price of 7.95p as at close of business on 10 July 2013 (being the latest practicable date prior to publication of the circular). All other terms applicable to the Options, including the number of Ordinary Shares subject to the Options and their respective expiry dates, will remain unchanged.

Details of the Options held by the directors are as follows:

Director	Number of Shares subject to Option	Grant Date	New Exercise Price (p)	Original Exercise Price (p)	Expiry Date
Carlos Miguens	2,000,000	10/02/11	11	50.00	09/02/21
William Humphries	2,000,000	10/02/11	11	50.00	09/02/21
Carlos Miguens	900,000	13/05/11	11	42.25	12/05/21
William Humphries	900,000	13/05/11	11	42.25	12/05/21
Marc Sale	550,000	13/05/11	11	42.25	12/05/21
Gonzalo Tanoira	500,000	13/05/11	11	42.25	12/05/21
Edward Badida	750,000	01/11/11	11	50.25	31/10/21
Carlos Miguens	2,000,000	31/01/12	11	42.50	30/01/22
William Humphries	2,000,000	31/01/12	11	42.50	30/01/22
TOTAL	<u>11,600,000</u>				

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