

## Disposal of COSE and Option

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Patagonia Gold PLC

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

### **Disposal of COSE to Pan American Silver and option to acquire Pan American Silver's Calcatreu deposit**

Patagonia Gold Plc, the mining company with gold and silver projects in the southern Patagonia region of Argentina, Chile and Uruguay, is pleased to announce that its wholly-owned subsidiary, Patagonia Gold S.A. ("PGSA"), has entered into a binding agreement with Minera Triton Argentina S.A. ("Minera Triton"), a wholly-owned subsidiary of Pan American Silver Corp. ("Pan American") (NASDAQ:PAAS; TSX:PAAS), whereby Minera Triton will acquire 100% of Patagonia Gold's Cap-Oeste Sur Este project ("COSE") located in Santa Cruz Province, Argentina (the "Disposal"). The total consideration for the Disposal is US\$15 million, of which US\$7.5 million is deferred, plus a 1.5% net smelter returns royalty ("NSR").

In addition, Patagonia Gold has been granted an exclusive option to purchase from Minera Aquiline Argentina S.A. ("Minera Aquiline"), a wholly-owned subsidiary of Pan American, the Calcatreu gold-silver asset in Rio Negro Province, Argentina for US\$15 million ("Calcatreu Option"). Under the Calcatreu Option, which is exercisable at the discretion of Patagonia Gold, Patagonia Gold will have six months to exercise the option.

#### **COSE Disposal**

Pursuant to the Disposal agreement, Minera Triton will acquire COSE for a total consideration of US\$15 million plus a 1.5% NSR.

The Disposal, which is subject to customary conditions, is expected to complete on or around 31 May 2017 ("Completion").

On Completion, Minera Triton will pay US\$7.5 million in cash to PGSA in consideration for PGSA transferring the ownership and any future obligations of COSE to Minera Triton. The remaining US\$7.5 million will be payable in cash to PGSA 12 months after Completion or if earlier, upon the commencement of commercial production at COSE. In addition to the cash consideration, Minera Triton will, upon Completion, grant PGSA a 1.5% NSR on production from COSE. If Minera Triton does not pay the deferred consideration of US\$7.5 million within 12 months of Completion, COSE will revert to PGSA and Minera Triton will be entitled to retain a 3.0% NSR on production from COSE.

Patagonia Gold will use the net proceeds of the Disposal, initially being US\$7.5 million, for general working capital purposes and to reduce its net debt position.

#### **COSE Project**

COSE is a sub vertical shear-hosted low to mid sulphidation high grade ore body situated 1.8 kilometres to the southeast of the Cap-Oeste deposit in Santa Cruz Province. As calculated by CUBE consulting in August 2014, COSE has a JORC Code compliant resources of 49,000 tonnes @ 27.8 g/t Au and 1,466 g/t Ag for 44,000 oz Au and 2,325,000 oz Ag in the Indicated category and 20,000 tonnes @ 12.5g/t Au and 721 g/t Ag for 8,000 oz Au and 464,000 oz Ag in the Inferred category.

#### **Calcatreu Option**

Minera Triton has granted Patagonia Gold an option to purchase the Calcatreu gold-silver asset in Rio Negro Province, Argentina for US\$15 million, from Minera Aquiline. Under the Calcatreu Option, which is exercisable at the discretion of Patagonia Gold, Patagonia Gold will have six months to exercise the option. Accordingly, the exercise of the Calcatreu Option by Patagonia Gold is subject to, *inter alia*, the completion of due diligence of the project and documentation.

#### **Calcatreu Deposit**

The Calcatreu deposit is a low sulphidation epithermal style gold-silver deposit located within Rio Negro Province, 40 kilometres

south of the town of Ingeniero Jacobacci. An independent mineral resource estimate completed by Micon International Limited of Toronto in 2008 for the Calcatreu deposit, prepared in accordance with the Canadian National Instrument 43-101 requirements, set out an indicated mineral resource estimate of 8.0 million tonnes containing 6.6 million oz Ag at an average grade of 25.7 g/t, and 676,040 oz Au at an average grade of 2.63 g/t and an inferred mineral resource estimate of 3.4 million tonnes containing 1.8 million oz Ag at an average grade of 16.6 g/t, and 226,050 oz Au at an average grade of 2.06 g/t.

**Christopher van Tienhoven, CEO, commented on the transactions:** *"We believe this is a good opportunity for the development of COSE given the synergies with Pan American Silver's Manantial Espejo operation. Calcatreu presents a new opportunity for Patagonia Gold to develop and produce from an asset with a potential mine life of over five years."*

**For more information, please contact:**

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Matthew Boyes, (BSC. Geology, Fellow AusIMM) Chief Operating Officer for Patagonia Gold and a qualified person under the AIM Note for Mining and Oil & Gas Companies, has reviewed the information contained in this announcement with respect to the COSE and Calcatreu projects.

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

**About Patagonia Gold**

Patagonia Gold is a mining company that seeks to grow shareholder value through exploration, development and production of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on production at Cap-Oeste and exploration at Sarita, La Manchuria and the earn in agreement in Uruguay. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina, Chile and Uruguay.

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