



Final Results for the Year Ended 31 December 2016

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Patagonia Gold PLC

28 March 2017

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

Final Results for the Year Ended 31 December 2016

Patagonia Gold Plc (AIM:PGD), the mining and development company with gold and silver projects in Argentina, Chile and Uruguay, announces its audited financial results for the year ended 31 December 2016. These results are presented in United States dollars ("\$\$") unless otherwise stated.

The full audited report, including the consolidated Financial Statements shown below, is also available on the Company's website at www.patagoniagold.com.

2016 Financial Highlights

- A total of 24,572 oz AuEq sold during 2016 at an average gross price of \$1,232.50/oz
- 15% increase in revenues to \$30.0 million (2015: \$26.1m)
- Achieved first annual profit after tax of \$1.1 million (2015: \$14.4 million loss)

Operating Highlights

- Total production at Lomada for the year was 22,770 oz Au (2015: 21,521 oz Au)
- Lomada ceased mining operations in May 2016 but leaching continues
- Construction at Cap-Oeste completed on time and on budget with first gold pour in October 2016
- An agglomeration circuit to address higher than anticipated clay in the ore has been ordered and is expected to improve recoveries beyond those originally forecast once installed by the end of June 2017
- Pit optimisation at Cap-Oeste has increased initial open pit mine life from 24 months to three years, with total production estimated at 186,800 oz AuEq
- Exploration test work at Las Lajas, Bagual and Sarita together with an initial drilling programme of 900 metres at the Company's properties in Uruguay

Corporate Highlights

- \$10 million financing was successfully concluded in May 2016 to develop Cap-Oeste
- In early 2016 the Company entered into an earn-in agreement, subject to certain conditions, in relation to Trilogy Mining Corporation's Carreta Quemada and Chamizo exploration gold projects in Uruguay
- Cost reduction measures continued with savings achieved by purchasing equipment that was previously hired

Christopher van Tienhoven, CEO commented: *"The year has not been without its challenges as we have transitioned from one project to another. We have faced these challenges in a climate of continuing volatility in the gold price but we remain optimistic in the outlook both for the industry generally and for our business in particular. The political and economic changes in Argentina bode well for future investment in this country and we can only be beneficiaries of this."*

The Annual General Meeting of the Company will be held on 27 April 2017 at 11:00 a.m. at the offices of Stephenson Harwood LLP,

1 Finsbury Circus, London EC2M 7SH.

The Annual Report for the year ended 31 December 2016, Notice of Annual General Meeting and Form of Proxy will shortly be posted to shareholders.

The Company's complete financial statements for the 12 months ended 31 December 2016 with the notes, will shortly be available on Patagonia Gold's website at www.patagoniagold.com.

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

About Patagonia Gold

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

Matthew Boyes, (BSC. Geology, Fellow AusIMM) Chief Operating Officer for Patagonia Gold PGSA and a qualified person as defined in Canadian National Instrument 43-101, has reviewed and verified all scientific or technical mining disclosure contained in this press release.

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Chairman's Statement

I am pleased to present the 2016 Annual Report of Patagonia Gold Plc ("Patagonia Gold" or the "Company").

Firstly, I want to remark that 2016 was a year of consolidation for Patagonia Gold under a new management team. The appointment of Christopher van Tienhoven in June 2015 as the new CEO of the Company and as a member of the Board, together with the appointment of Cristian Lopez Saubidet as Interim CFO, have been of great benefit to Patagonia Gold at a time when the Company is facing a number of challenges and opportunities.

The Company reported revenues of \$30.0 million for 2016 (2015: \$26.1 million) and very pleasingly, we report our first profit for a financial year of \$1.1 million (2015: \$14.4 million loss).

The economic changes implemented by the Federal Government in Argentina, like the removal of export royalties on doré, a more competitive exchange rate due to the Peso devaluation, together with the elimination of foreign exchange restrictions concerning settlement of currency arising from exports, has had a positive impact on the Company's results for the period and has been positively received by the market. The Company hopes this will lead to a much improved political and economic environment for future investment in Argentina.

In terms of our operations, at Lomada de Leiva ("Lomada") mining activities were suspended in May 2016 due to the depletion of available resources in line with the initial mine plan. Leaching at Lomada continues and gold is still being recovered from the pads and according irrigation of the pads will continue for as long as it remains viable. The focus of the Company's operations moved towards Cap-Oeste and the first gold pour was achieved on 27 October 2016 and following the completion of the updated pit optimisation for Cap-Oeste, the Company is now forecasting total production from the initial open-pit at Cap-Oeste of 186,800 oz AuEq, increasing the open-pit mine life from two to three years through to July 2019.

The gold price remained volatile throughout 2016 with a downward trend during the last quarter before showing slight signs of improvement at the beginning of 2017. Given the current low commodity prices and expectations for an improvement in the mining industry in the mid to long term, numerous joint ventures and acquisitions occurred locally through 2016, which provides future opportunities for the Company to consider. In line with these prospects for an improvement in the markets, Patagonia Gold maintains its commitment to the region, particularly Argentina.

On 1 July 2016, the Company announced the resignation of Non-Executive Directors Edward Badida and Glenn Featherby. The Board greatly appreciated the experience and support they have both contributed to the development of the Company, and wish them well for the future.

In spite of the difficulties experienced over recent years by the mining industry in general and Patagonia Gold in particular, I uphold my commitment to continue to support the Company.

I would like to thank the Board, management and staff for their determined and unceasing efforts over the past year. Your support has been key to the successful development of the Company. Thanks must also go to our joint venture partner Fomicruz for its continued support of Patagonia Gold S.A.'s development and exploration initiatives. Finally, I would like to express my sincere thanks to our committed shareholders. I look forward to updating you on our future growth and future plans during the course of the year.

Carlos Miguens

Non-Executive Chairman

27 March 2017

Report from the Chief Executive Officer

2016 was a challenging year for Patagonia Gold under a new management team, with the Group's focus of operations transitioning from Lomada to Cap-Oeste, together with the continued focus of reduction of operating costs.

It was therefore pleasing, with the operational focus shifting from Lomada to Cap-Oeste, to achieve a 15.0% increase in revenues to \$30.0 million (2015: \$26.1 million) and a profit of \$1.1 million (2015: \$14.4 million loss) for the year ended 31 December 2016.

During the year, the Lomada gold mine reached the end of its initial mine plan and accordingly, mining ceased in May 2016 whilst gold continues to be recovered through the ongoing irrigation of the heap leach pad. Total production at Lomada in 2016 was 22,770 oz Au (2015: 21,521 oz Au). A total of 23,387 oz Au (2015: 22,227 oz Au) were sold during 2016 at an average gross price of \$1,236 per ounce (2015: \$1,165 per ounce), generating revenues of \$28.6 million during 2016 (2015: \$26.1 million), which was above management's expectations.

In May 2016, the Company successfully concluded a \$10.0 million financing to develop the open pit mine at Cap-Oeste. The development of Cap-Oeste has provided a transition from Lomada, with the Lomada mining fleet having been moved to Cap-Oeste at the end of May 2016. The initial project consists of mining the oxide ore and treating it on a heap leach plant similar to that at Lomada. The open pit, heap leach pad and recovery plant were completed on time with the first gold pour on 27 October 2016.

However, as production accelerated, recoveries were lower than expected due to higher than anticipated clay in the ore. As a result, Cap-Oeste's production for 2016 was below management's initial expectations with 3,064 oz AuEq produced during 2016 of which 1,185 oz AuEq were sold in the period at an average gross price of \$1,175 per oz, generating revenues of \$1.4 million during 2016.

As previously announced, the Company is in the process of installing a 500 tonne per hour agglomeration circuit. The Company believes that the agglomeration circuit will increase the overall recovery to 80% for Au and 40% for Ag, which is in excess of the initial forecast recoveries without the agglomeration of approximately 65% Au. The cost of the circuit is now expected to be \$5.5 million, which is being funded from a combination of supplier and debt financing, as the Company was unable to source second hand equipment as originally expected. The resulting lead time for the main equipment items has therefore resulted in a delay in the completion of the circuit, which is now anticipated to be completed by the end of June 2017, but the Company continues to forecast production from Cap-Oeste of approximately 68,500 oz AuEq in 2017, which is in line with previous guidance.

Following completion of an updated pit optimisation for Cap-Oeste by Kenmore Consulting in conjunction with a cash cost review and pit resource update for Cap-Oeste completed by CUBE Consulting, as previously announced, the initial open pit mine at Cap-Oeste is now expected to have a mine life of three years and is expected to produce a total of 186,800 oz AuEq. Following the extension of the Cap-Oeste mine life and the installation of the agglomeration circuit by the end of June 2017, forecast production for 2017 from Cap-Oeste is expected to be approximately 68,500 oz AuEq and 45,500 oz AuEq and 67,600 oz AuEq in each of 2018 and 2019 respectively, in line with previous guidance.

The Company anticipates that Cap-Oeste will provide the Company with the cash flow to meet its short-term financing commitments and at the same time, allow Patagonia Gold to continue exploring identified targets in the region.

The Company continues to target operating efficiencies and during 2016 the measures previously adopted continued to achieve cost reductions. The savings achieved by purchasing equipment that was previously hired along with other cost reducing initiatives, were successfully maintained during 2016 throughout the expansion and transition of operations whilst Head Office costs continued to be reduced. The Company recognises that this is a continual process and is committed to further optimising costs, with the prime objective of maximising the funds that are available to be invested in exploration and development of its projects.

Exploration continues to be a key aspect of the business of Patagonia Gold and the Company has tested several of the projects in its property portfolio including Las Lajas, Bagual and Sarita.

In addition, as announced during the first quarter of 2016, the Company entered into an earn-in agreement with respect to Trilog Mining Corporation's Carreta Quemada and Chamizo exploration gold projects in Uruguay ("Trilogy"). This represents a new opportunity for the Company to acquire additional gold projects with geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks, with initial exploration work having already been conducted. During the year, a first pass of the project was made which included 900 metres of drilling with some encouraging results. Further work is planned on this project once cash becomes available from the Company's operations.

Patagonia Gold retains its investment focus on Argentina and, for this reason, it continues to review opportunities to enhance its participation in the local mining business. The improved market sentiment coupled with the change in government in Argentina pose an excellent opportunity for Patagonia Gold to grow its business in the region.

The Company has succeeded in maintaining its strong position through another year of challenging markets thanks to the commitment of its management, staff, and technical team. I am confident that Patagonia Gold will be able to continue to achieve significant milestones in the ensuing year, enhancing the potential of its core projects and vigorously developing its other properties via combined exploration endeavours.

Christopher van Tienhoven
Chief Executive Officer
 27 March 2017

Operations Report

The following is a summary of the Company's operations, together with an update on exploration activities for the year to date.

Company's Properties

The Lomada de Leiva gold project (the "Lomada Project" or "Lomada") is located in the La Paloma property block approximately 120 kilometres to the north of the El Tranquilo property block. The Lomada pit mining operation ceased as of May 2016. Leaching of the heap leach stocks will continue for as long as gold continues to be recovered and it remains viable to do so.

The net profits generated from production at Lomada are being utilised to meet operating and capital requirements at Cap-Oeste and to fund ongoing exploration work across the Company's other projects. Construction of the agglomeration circuit for Cap-Oeste is well advanced with all major machinery items ordered and shipping commenced. A budget update estimates the total capital outlay for the project will now be \$5.5 million due to additional equipment and inability to source used equipment, which has also resulted in a delay, with the circuit now expected to be completed by the end of June 2017. Despite the delay, as the Company has continued to mine the ore at Cap-Oeste and given that the circuit's capacity is greater than the current mine rate, the Company continues to forecast production from Cap-Oeste of 68,500 oz AuEq, which is in line with previous guidance. Poor percolation within the stacked pile on the leach pad, due to higher than anticipated clay in the ore, has led to the requirement for the installation of the agglomeration circuit which is expected to enable the Company to achieve its initial forecast recoveries for gold and silver of 80% and 40% respectively with the crushed agglomerated product.

The La Manchuria property block is located approximately 50 kilometres to the southeast of the El Tranquilo property block and hosts the La Manchuria Project. A number of options are currently being evaluated to realise cash flow and advance exploration on the block.

Exploration of the El Tranquilo block was halted in November 2015. First pass exploration of regional permits has been initiated together with first pass grass roots investigations at Las Lajas and Los Toldos. Follow-up work at La Manchuria and Sarita has also commenced.

Initial exploration work has also commenced across the Carreta Quemada and Chamizo projects in Uruguay. The first nine hole programme is now completed with assays reported.

The JORC Code compliant resources delineated as at 31 December 2016 are listed in the table below:

Gross Resources (PGSA-Fomicruz)							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
Cap-Oeste	825,626	1.66	42.81	2.28	44,107	1,136,395	60,577
TOTAL Measured	825,626	1.66	42.81	2.28	44,107	1,136,395	60,577
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	425,705	2.95	135	4.07	40,380	1,848,211	55,684
COSE	49,000	27.8	1,466	52.2	44,000	2,325,000	83,000
Cap-Oeste	12,392,738	2.06	59.84	2.92	819,118	23,840,690	1,164,626
Lomada*	4,000,465	0.48	NA	NA	61,919	NA	61,919
TOTAL Indicated	16,867,908	1.78	51.7	2.52	965,417	28,013,901	1,365,229
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682

COSE	20,000	12.5	721	24.5	8,000	464,000	16,000
Cap-Oeste	8,392,000	1	25.79	1.43	269,000	696,000	385,000
Lomada	3,412,270	0.672	NA	NA	73,726	NA	73,726
Total Inferred	13,293,290	0.99	8.2	1.32	423,061	3,495,236	565,408

Net Attributable Resources (PGSA)							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
Cap-Oeste	743,063	1.66	42.81	2.28	39,696	1,022,756	54,519
TOTAL Measured	743,063	1.66	42.8	2.28	39,696	1,022,756	54,519
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	383,135	2.95	135	4.07	36,342	1,663,390	50,116
COSE	44,100	27.8	1,466	52.2	39,600	2,092,500	74,700
Cap-Oeste	11,153,464	1.82	56.32	2.76	737,206	21,456,621	1,048,163
Lomada*	3,600,419	0.48	NA	NA	55,727	NA	55,727
TOTAL Indicated	15,181,117	1.78	51.7	2.52	868,875	25,212,511	1,228,706
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq**
La Manchuria	1,322,118	1.53	49.4	1.92	65,102	2,101,712	81,614
COSE	18,000	12.5	721	24.5	7,200	417,600	14,400
Cap-Oeste	7,552,800	1	25.79	1.43	242,100	626,400	346,500
Lomada	3,071,043	0.672	NA	NA	66,353	NA	66,353
Total Inferred	11,963,961	0.99	8.2	1.32	380,755	3,145,712	508,867

*Lomada resource has not been depleted during 2016 to take account of production during the period, pending completion of third party estimation

** AuEq oz were calculated on the prevailing Au:Ag ratio at the date of publishing of the JORC/43-101 compliant resource reports for the individual projects

The Company holds a 90% interest in PGSA, with the remaining 10% being held by the Santa Cruz government's wholly-owned mining company, Fomento Minero de Santa Cruz Sociedad del Estado ("FOMICRUZ"). The net attributable resource shows the 90% of the Cap-Oeste resource that is attributable to the Company.

Argentina

Cap-Oeste Project

The Cap-Oeste Project is the Company's flagship project and is located within a structural corridor extending six kilometres from the La Pampa prospect in the northwest to the Tango prospect in the southeast. To date, the Cap-Oeste deposit has an identified and delineated strike extent of 1.2 kilometres.

Following the \$10.0 million financing completed in May 2016, the Company has now completed the construction of the initial low cost open pit mine at Cap-Oeste with a heap leach processing facility similar to that at Lomada. The optimised pit design, carried out on the existing JORC Code compliant Measured and Indicated Resources, contains a total of 5.6Mt of waste and 1.55Mt @ 2.3g/t Au and 85g/t Ag for a AuEq (68:1) of 3.53 g/t. The initial life of mine is expected to be 24 months, with forecast production estimated to be approximately 82,000 oz AuEq and an operating cost forecast to be within the range of \$800 to \$850 per oz, which includes the capital amortisation and working capital component of \$4.5 million. However, as set out below, the initial life of mine has been extended to 3 years.

Mining operations at Cap-Oeste are progressing as scheduled with total production of 336,000t @ 1.16 AuEq for 2016, being 5% ahead of the scheduled target tonnage for the period. Total waste production of 2.16mt in 2016 was also lower than expected.

However, gold and silver recovery from the Cap-Oeste Pad to date has been lower than expected, as a result of complications with the recovery process due to lack of percolation of the leaching solution due to a high clay content in the upper sections of the Cap-Oeste orebody. Cap-Oeste produced a total of 3,064 oz AuEq (2,908 oz Au and 8,864 oz Ag) after slower than anticipated initial leaching and percolation issues.

To resolve the percolation issues the Company is currently installing a 500 tonne per hour agglomeration circuit, in order to seek to improve recovery rates from the Cap-Oeste ore. Agglomeration, with an extremely low dosage of cyanide solution and cement, helps to keep the leaching solution percolating freely and the Company is confident that this will increase the overall recovery to 80% for Au and 40% for Ag, which is in excess of the initial forecast recoveries, prior to the percolation issue, without the agglomeration, of approximately 65% Au.

The agglomeration circuit, including a higher capacity primary impact crusher and conveyor system, has been engineered and all major items have been ordered and are expected to be operating by the end of June 2017. The total cost of approximately \$5.5 million is being funded from a combination of supplier and debt financing. All major components are ordered with stacking conveyors already in transit and civil works underway on site and the Company is forecasting production of 68,500 oz AuEq from Cap-Oeste in 2017, which is in line with previous guidance announced in December 2016.

Cap-Oeste pit optimisation and update resource

An updated pit optimisation for Cap-Oeste has been completed by Kenmore Consulting in conjunction with a cash cost review and pit resource update for Cap-Oeste completed by CUBE Consulting.

The pit optimisation was carried out at a price of \$1,300/oz Au and \$20/oz Ag and has resulted in an increase in the current open-pit life for Cap-Oeste from 2 to 3 years, with the pit now forecast for depletion in Q3 2019 with a total ore production of 2.03Mt @ 2.99g/t Au and 138g/t Ag for a total recoverable estimated production of 136,000 oz of Au and 3.2Moz of Ag, equating to 186,800 oz AuEq. Pursuant to the pit optimisation, the proposal is to increase the size of the pit to mine the ore previously delineated for the Cap-Oeste underground pit, resulting in the overall material to be moved over the life of the mine increasing from 7.2Mt to 25.2Mt, which will also increase the strip ratio from 3.7 to 11.44 and the ore being mined increasing from 1.55Mt to 2.03Mt. In order to mine the increased material, additional fleet will be required to increase the monthly production with one excavator, two fixed body dump trucks and one additional blast hole drill required. The estimated cost is approximately \$2.5 million, which the Company anticipates funding from supplier and debt financing.

The resource update includes the recently drilled 98 grade control RC holes and was utilised for the short term planning. Set out below is the updated JORC Code compliant resource for Cap-Oeste, which shows a slight reduction in the indicated and inferred categories due to increased drill density and re-interpretation of the mineralised envelope. The updated resource is tabled below.

Table 1: JORC Code Compliant Gross Resource for Cap-Oeste - December 2016

GROSS RESOURCE FOR CAP-OESTE								
Resource Category	Ore type	Tonnes	Grade (g/t)			Metal (oz)		
			Au LUC/OK	Ag LUC/OK	AuEq ⁽¹⁾	Au	Ag	AuEq ⁽¹⁾
Measured	Oxide	769,987	1.52	37.87	2.07	37,708	937,564	51,296
	COSE ⁽²⁾	23,233	4.01	177.11	6.57	2,993	132,294	4,910
	Fresh ⁽³⁾	32,406	3.27	63.86	4.19	3,406	66,538	4,371
	Sub-Total	825,626	1.66	42.81	2.28	44,107	1,136,396	60,577
Indicated	Oxide	2,993,697	1.2	39.7	1.77	115,047	3,821,524	170,429
	COSE ⁽²⁾	548,919	5.19	227.1	8.48	91,603	4,007,874	149,688
	Fresh ⁽³⁾	8,850,122	2.15	56.27	2.97	612,468	16,011,300	844,509
	Sub-Total	12,392,738	2.06	59.84	2.92	819,118	23,840,698	1,164,626
Inferred	Oxide	800,050	0.58	18.51	0.85	14,942	476,146	21,843
	COSE ⁽²⁾	160,479	0.63	21.86	0.95	3,263	112,776	4,897
	Fresh ⁽³⁾	4,492,004	1.5	31.57	1.96	216,849	4,559,323	282,921
	Sub-Total	5,452,533	1.34	29.37	1.77	235,054	5,148,246	309,662
TOTAL		18,670,897	1.83	50.19	2.56	1,098,278	30,125,339	1,534,865

Table 2: JORC Code Compliant Net Resource for Cap-Oeste Attributable to the Company- December 2016

NET ATTRIBUTABLE TO THE COMPANY ⁽⁴⁾								
Resource Category	Ore type	Tonnes	Grade (g/t)			Metal (oz)		
			Au LUC/OK	Ag LUC/OK	AuEq ⁽¹⁾	Au	Ag	AuEq ⁽¹⁾
Measured	Oxide	692,988	1.52	37.87	2.07	33,937	843,808	46,166
	COSE ⁽²⁾	20,910	4.01	177.11	6.57	2,694	119,065	4,419
	Fresh ⁽³⁾	29,165	3.27	63.86	4.19	3,065	59,884	3,934
	Sub-Total	743,063	1.66	42.81	2.28	39,696	1,022,756	54,519
Indicated	Oxide	2,694,327	1.2	39.7	1.77	103,542	3,439,372	153,386
	COSE ⁽²⁾	494,027	5.19	227.1	8.48	82,443	3,607,087	134,719
	Fresh ⁽³⁾	7,965,110	2.15	56.27	2.97	551,221	14,410,170	760,058
	Sub-Total	11,153,464	2.06	59.84	2.92	737,206	21,456,628	1,048,163
Inferred	Oxide	720,045	0.58	18.51	0.85	13,448	428,531	19,659
	COSE ⁽²⁾	144,431	0.63	21.86	0.95	2,937	101,498	4,407
	Fresh ⁽³⁾	4,042,804	1.5	31.57	1.96	195,164	4,103,391	254,629
	Sub-Total	4,907,280	1.34	29.37	1.77	211,549	4,633,421	278,695
TOTAL		16,803,807	1.83	50.19	2.56	988,451	27,112,805	1,381,378

Notes:

- (1) *AuEq values are calculated at a ratio of 68:1 Ag to Au*
- (2) *COSE style mineralisation with free milling cyanide recoverable Au and Ag*
- (3) *Fresh refractory sulphide mineralisation*
- (4) *Cap-Oeste is 100% owned by Patagonia Gold S.A. ("PGSA"), which is the operator of Cap-Oeste. The Company is interested in 90% of PGSA, with the remaining 10% being held by the Santa Cruz government's wholly-owned mining company, Fomento Minero de Santa Cruz Sociedad del Estado ("FOMICRUZ). The net attributable resource shows the 90% of the Cap-Oeste resource which is attributable to the Company*

Lomada de Leiva Project

As previously announced, operations at Lomada were suspended in May 2016 with the entire mining fleet and the majority of the workforce relocated to the Cap-Oeste Project. The costs at Lomada were, as a result, reduced significantly when mining operations were suspended.

The Lomada pads are continuing to exceed forecasts with a total of 22,770 oz Au produced to the end of 2016 and with the pads still producing at approximately 15 oz Au per day the Company has decided to leave the pads irrigating for the present time until we determine that the process is no longer viable.

La Manchuria Project

The Company is currently evaluating the possibility of a joint venture arrangement for the La Manchuria project with third parties in order to realise some cash flow from the deposit and to increase the exploration spend on existing targets within the Manchuria block. The block is highly prospective with over 145,000 oz AuEq of JORC Code compliant Indicated and Inferred resources already delineated at La Manchuria.

To date no agreement has been finalised and we will be kept updated as necessary.

Exploration Summary

Exploration during 2016 focussed largely on regional reconnaissance at the Las Lajas, Los Toldos and Sarita projects in Santa Cruz province, Argentina, and geophysical surveys followed by drilling at the San José Project in Uruguay.

Activity	Unit	Volume	
		Santa Cruz - Argentina	San Jose - Uruguay
Mapping	km ²	1240	75
Stream Sediment Geochemistry	Samples		82
Soil Geochemistry	Samples		690
Rock Chip sampling	Samples	1032	158
Ground Magnetics	Line-km	862	63
Gradient Array IP	Line-km		85
Pole-Dipole IP	Line-km	4.2	21.0
Sawn Channels	metres	316.5	
Trenching	metres	892	865
RAB Drilling	metres	729.4	
RC Drilling	metres	2878	
Diamond Drilling	metres	1248	910

Table 2. Summary of exploration works completed during 2016.

El Tranquilo Project

Monte Leon. A reverse circulation drilling programme totalling 60 holes, for 2,878 metres was completed during November at the Monte Leon prospect, located 13km from Cap-Oeste, to test the oxide zone of the prospect to assess the potential for a gold resource that could possibly be treated on the Cap-Oeste heap leach pad. The sulphide mineralisation at the prospect is refractory. The programme intersected widespread mineralisation including best intercepts of 30.0 metres at 1.53 g/t Au in hole MLN-061-R, 2.0 metres at 49.25 g/t Au in MLN-077-R and 34.0 metres at 1.22 g/t Au in MLN-082-R.

An internal resource evaluation and pit design is underway and a resource estimate will be completed during 2017, subject to available funding.

La Paloma Project

Brecha Sofia. A review of the Brecha Sofia prospect, located approximately 1 km east of the Lomada de Leiva open pit, revealed the potential for deep mineralisation that had not been adequately evaluated by previous drilling by Barrick and Homestake. Historic intersections include 3.0 metres at 140.6 ppm Au, 3.2 metres at 13.1 ppm Au and 12.0metres at 5.0 ppm Au. Three historic holes that were interpreted to have not intersected the target zone were re-entered and extended, intersecting hydrothermal breccias. The best result reported was 5.5 metres at 5.9 ppm Au however, no coherent controlling structure associated with the mineralisation is apparent.

Cerro Vasco. A rotary air blast (RAB) drilling programme was undertaken to try and test coincident magnetic and induced polarisation anomalies beneath Quaternary alluvial deposits. In the majority of cases, the Jurassic volcanic hosted targets were too deep to effectively test so it is proposed to test with RC drilling during 2017 after better defining targets with a pole-dipole induced polarisation (PDIP) survey.

Bandurria. Situated 10km to the west of the Lomada mine the Bandurria project has been mapped and surface rock chips assayed

with 2 parallel outcropping structures with a strike length of in excess of 400 metres identified and now drill ready, 6 holes have been planned and the company is currently awaiting approvals to drill.

La Manchuria Project

Geological mapping at La Manchuria prospect has identified additional mineralised structures that have not previously been tested by drilling. Geophysical surveys are currently in progress in the area with the objective of defining drill targets for testing during 2017.

Sarita Project

A ground magnetic survey was completed during 2016 and a PDIP survey is currently in progress with the objective of defining drill targets within the extensive mapped vein system, for drill testing during 2017. Channel sampling returned strongly elevated silver grades, including 1.0 metres at 1100.0 ppm Ag.

La Lajas Project

Reconnaissance mapping and sampling completed over the project area during 2016, identified three prospects of interest, including La Ultima, Facundo Ezequiel and La Esperanza III, where a 1,000 metres long fracture zone hosting auriferous quartz veinlets was identified. More detailed mapping and sampling of the structure is scheduled for 2017.

Los Toldos Project

Reconnaissance mapping and sampling was conducted at El Bagual, El Amanecer and La Batalla prospects during 2016, with mineralised quartz veins identified at both El Bagual and El Amanecer.

A short diamond drilling programme of 4 holes for 554.6 metres was completed at El Bagual during November. Extremely challenging conditions were encountered, as was previously experienced when Barrick attempted to drill at the prospect during 2006, combined with post-mineralisation faulting, resulted in none of the holes effectively testing the defined target.

San José Project (Uruguay)

As a result of the Trilogy project, the Company can acquire up to 100% of Carreta Quemada properties, which cover an area of 388km², and Chamizo, which covers an area of 70km², both located on the San José Greenstone Belt within the early Proterozoic Piedra Alta Terrane, approximately 100 kilometres from Montevideo, the capital of Uruguay.

Since entering the Earn-In agreement in January 2016 with Trilogy Mining Corporation ("Trilogy") in relation to their gold projects in Uruguay, which includes, *inter alia*, Trilogy's existing Carreta Quemada and Chamizo exploration gold projects as well as any future areas that they may be granted, the Company has escalated its exploration activities in the country to seek to define drill targets. The Company has undertaken and continues to undertake geological mapping, soil and stream sediment geochemistry, ground magnetic and induced polarisation surveys, and has also completed its first drilling programme at Zona 13 within the Chamizo exploration area. Set out below are further details on the exploration activities during 2016.

Chamizo - Zona 13. Following initial geophysical and geochemical programmes, the Company has completed a 910 metre exploration diamond drilling programme, comprising nine holes, on Zona 13 within the Chamizo exploration area, with all assay results having now been received. Zona 13 was the first of a series of extensive PDIP geophysical anomalies drilled on the Chamizo joint venture area, with eight of the nine holes intersecting mineralisation with significant assays reported in five of the eight mineralised intervals, including 7.2 metres @ 2.64 g/t Au from CHDD-002 and 16.2 metres @ 1.72 g/t Au from CHDD-004.

Hole ID	From	To	Length (m)	Au g/t
CHDD-001	31.0	55.4	24.4	0.60
including	45.8	55.4	9.6	1.02
CHDD-002	76.5	92.0	15.5	1.38
including	86.0	92.0	7.2	2.64
CHDD-003	48.0	84.0	36.0	0.72
including	48.0	55.0	7.0	1.68
CHDD-004	64.4	80.5	16.2	1.72
CHDD-004	107.0	110.0	3.0	1.48
CHDD-009	75.0	84.0	9.0	0.32

Table 3: Significant intervals Zona 13 Chamizo Area

*Drill hole intervals are not true widths and the Company estimates that the true widths are approximately 80% of the overall reported widths. All holes were drilled at a dip of -55 degrees from South to North, except for hole CHDD-001, which was drilled as a scissor hole from North to South.

The assays reported have confirmed an ENE - WSW striking mineralised shear zone (Tambo Viejo Shear Zone) of over 900 metres in length that remains open at both ends and down dip. Mineralisation is hosted within a steeply dipping to sub-vertical shear zone up to 40 metres wide located at the contact between a granodiorite body to the north and Paleoproterozoic (2.1 Ga, Birimian age) greenschist facies metandesite schist and intercalated metasediments to the south. Mineralisation manifests as quartz-chlorite-sericite-carbonate-pyrite-arsenopyrite altered graphitic schist, with mylonites, cataclasites and breccias reflecting both brittle and ductile deformation. Quartz occurs as stringers, porphyroblasts and breccia clasts.

The mineralised shear zone, interpreted to be associated with the regional Cufre Shear Zone, is very effectively identified by PDIP and provides a rapid and cost effective targeting tool to define the shear zone in the subdued terrain that has almost no outcrop and widespread thin Quaternary cover sequences. Geophysical anomalies extend approximately 1.1 km to the west and 1.2 km to the east along strike from Zona 13 and remain open in both directions. Aeromagnetic data indicates that the Cufre

structural corridor may have a strike length exceeding 30 km.

Additional targets under development include extremely prospective PDIP Chargeability and Resistivity highs located immediately adjacent to the principal shear zone that have never been evaluated.

Chamizo - Zona 14. Over 3.5 km strike of anomalous arsenic in soil and coincident high chargeability induced polarisation anomalies have been identified within the Zona 14 prospect. The 'Clara' structure has been identified as a very strong, steeply southeast dipping PDIP chargeability anomaly coincident with a strong arsenic and low level gold in soil geochemical sampling. The Clara structure is interpreted as a regional scale graphitic shear zone that has never been historically evaluated. As with the majority of the project areas in the Chamizo and Carreta Quemada blocks there is little or no outcrop at surface and the exploration is reliant on geophysical and geochemical surveys to identify the prospective target areas.

Chamizo - Zona 15. Similar in style to Zona 13, Zona 15 prospect is defined by a strong (up to 10,580 ppb Au), multi-sample panned concentrate Au anomaly defined during stream sediment sampling, which is located adjacent to an E-W striking intense IP chargeability high and resistivity low, that is interpreted to reflect another untested graphitic shear zone with a strike length in excess of 3.0 km.

Carreta Quemada. To date an extensive surface Au-As-Sb-W in soil geochemical anomaly coincident with ground magnetic and gradient array induced polarisation (GRA IP) geophysical anomalies has been identified by soil samples collected by auger from the undisturbed C Horizon. These have returned seven samples greater than 0.5 g/t Au (500 ppb), with a maximum of 1.70 g/t Au (1,700 ppb). The geochemical and geophysical surveys have identified an initial NW-SE trending target area with dimensions of approximately 1,300 metres x 400 metres, coincident with a regional NW-SE striking structural corridor exceeding 30 km in length, as indicated by aeromagnetic data.

Nueva Helvecia and Colla Prospects. Preliminary geological mapping and rock chip sampling have been undertaken across the prospects located approximately 50 km west of Chamizo. Priority structural corridors have been identified by the company following a geological mapping and geochemical soil and rock chip sampling programme with some sporadic outcrops having returned values up to 14.7 g/t Au. An application for prospecting permits across the prospects has been lodged.

The geophysical and geochemical programmes to date have identified a number of drill targets within the Zona 15, Zona 14 and Carreta Quemada areas which the Company will seek to drill in due course. However, in the near term, geophysical analysis combined with surface mapping trenching and geochemical analysis, will continue in an effort to better understand the potential of the Zona 13 structure along strike and down dip of the reported intervals by means of further soil sampling, trenching and geophysics.

Matthew Boyes
Chief Operations Officer
27 March 2017

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016**

	2016 \$'000	2015 \$'000
Continuing operations		
Revenue	30,041	26,128
Cost of sales	(14,862)	(29,731)
Gross profit / (loss)	15,179	(3,603)
Exploration costs	(2,344)	(5,491)
Administrative costs		
Share-based payments charge	(67)	(97)
Other administrative costs	(8,679)	(11,304)
	(8,746)	(11,401)
Finance income	61	2,832
Finance costs	(1,976)	(782)
Profit / (loss) before taxes	2,174	(18,445)
Income tax (charge) / benefit	(1,122)	4,051
Profit / (loss) for the year	1,052	(14,394)
Attributable to non-controlling interest	140	(1,310)
Attributable to equity share owners of the parent	912	(13,084)
	1,052	(14,394)

Other comprehensive expense:
Items that may be reclassified subsequently to profit or loss:

Profit / (loss) on revaluation of available-for-sale financial assets	27	(9)
Exchange loss on translation of foreign operations	(1,985)	(5,521)
Other comprehensive loss for the year	(1,958)	(5,530)
Total comprehensive loss for the year:	(906)	(19,924)
Total comprehensive profit / (loss) for the year attributable to:		
Non-controlling interest	140	(1,310)
Owners of the parent	(1,046)	(18,614)
	(906)	(19,924)
Net profit / (loss) per share (\$)		
Basic profit / (loss) per share	0.001	(0.01)
Diluted profit / (loss) per share	0.001	(0.01)

**Consolidated Statement of Financial Position
at 31 December 2016**

	2016	2015
	S'000	S'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,628	6,327
Mineral properties	11,716	3,280
Mining rights	3,488	3,588
Available-for-sale financial assets	31	7
Other receivables	7,687	7,767
Deferred tax asset	3,753	4,790
	42,303	25,759
Current assets		
Inventory	10,163	2,253
Trade and other receivables	2,044	455
Cash and cash equivalents	735	1,694
	12,942	4,402
Total assets	55,245	30,161
LIABILITIES		
Current liabilities		
Short-term loans	18,010	13,346
Trade and other payables	9,397	6,371
	27,407	19,717
Non-current liabilities		
Long-term loans	8,201	1,681
Provisions	1,052	607
	9,253	2,288
Total liabilities	36,660	22,005
EQUITY		
Share capital	19,587	15,690
Share premium account	131,602	154,090
Currency translation reserve	18,991	(11,746)
Share-based payment reserve	14,282	17,238
Retained earnings	(165,454)	(166,553)
Equity attributable to shareholders of the parent	19,008	8,719
Non-controlling interest	(423)	(563)
Total equity	18,585	8,156
Total liabilities and equity	55,245	30,161

**Consolidated Statement of Changes in Equity for
the year ended 31 December 2016**

Equity attributable to shareholders of the parent

	Share capital \$'000	Share premium account \$'000	Currency translation reserve \$'000	Share-based payment reserve \$'000	Accumulated losses \$'000	Total attributable To owners \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2015	16,256	161,285	(15,453)	17,990	(153,461)	26,617	747	27,364
Changes in equity for 2015								
Share-based payment	-	-	-	97	-	97	-	97
Issue of share capital								
Issue by placing	210	409	-	-	-	619	-	619
Transaction costs of placing	-	-	-	-	-	-	-	-
Lapse of option	-	-	-	(1)	1	-	-	-
Exchange differences on translation to \$	(776)	(7,604)	9,228	(848)	-	-	-	-
Transactions with owners	(566)	(7,195)	9,228	(752)	1	716	-	716
Loss for the year	-	-	-	-	(13,084)	(13,084)	(1,310)	(14,394)
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to \$	-	-	(5,521)	-	-	(5,521)	-	(5,521)
Total comprehensive income/(loss) for the year	-	-	(5,521)	-	(13,093)	(18,614)	(1,310)	(19,924)
At 31 December 2015	15,690	154,090	(11,746)	17,238	(166,553)	8,719	(563)	8,156
Changes in equity for 2016								
Share-based payment	-	-	-	67	-	67	-	67
Issue of share capital								
Issue by placing	7,186	3,593	-	-	-	10,779	-	10,779
Transaction costs of placing	-	(287)	-	-	-	(287)	-	(287)
Issue in lieu of payables	399	377	-	-	-	776	-	776
Lapse of option	-	-	-	(160)	160	-	-	-
Exchange differences on translation to \$	(3,688)	(26,171)	32,722	(2,863)	-	-	-	-
Transactions with owners	3,897	(22,488)	32,722	(2,956)	160	11,335	-	11,335
Profit for the year	-	-	-	-	912	912	140	1,052
Other comprehensive income/(expense):								
Revaluation of available-for-sale financial assets	-	-	-	-	27	27	-	27
Exchange differences on translation to \$	-	-	(1,985)	-	-	(1,985)	-	(1,985)
Total comprehensive income/(loss) for the year	-	-	(1,985)	-	939	(1,046)	140	(906)
At 31 December 2016	19,587	131,602	18,991	14,282	(165,454)	19,008	(423)	18,585

**Consolidated Statement of Cash Flows
for the year ended 31 December 2016**

	2016 \$'000	2015 \$'000
Operating activities		
Profit / (loss) before tax for the year	2,174	(18,445)
Adjustments for:		
Finance income	(61)	(2,832)
Finance costs	1,976	782
Depreciation	2,587	2,728
Non-cash adjustments	(179)	4,051
Share issue in lieu of payables	776	619
Decrease in available-for-sale financial assets	-	1,792
(Increase) / decrease in inventory	(7,910)	1,272
(Increase) / decrease in trade and other receivables	(1,509)	5,064
Decrease / (increase) in deferred tax	1,037	(2,096)

Increase / (decrease) in trade and other payables	2,755	(1,870)
Increase / (decrease) in provisions	445	(526)
Taxes paid	(672)	-
Share-based payments charge	67	97
Net cash used in operating activities	1,486	(9,364)
Investing activities		
Finance income	61	2,832
Purchase of property, plant and equipment	(12,521)	(454)
Additions to mineral properties	(9,931)	(93)
Proceeds from disposal	49	282
Net cash used in investing activities	(22,342)	2,567
Financing activities		
Finance costs	(1,976)	(782)
Increase in Loans	38,167	18,516
Repayment of Loans	(25,609)	(14,512)
Proceeds from issue of share capital	10,779	-
Transaction costs of placing	(287)	-
Net cash from financing activities	21,074	3,222
Net increase/(decrease) in cash and cash equivalents	218	(3,575)
Cash and cash equivalents at beginning of year	1,694	5,588
Effects of exchange rate fluctuations on cash and cash equivalents	(1,177)	(319)
Cash and cash equivalents at end of year	735	1,694

Notes

1. Publication of non-statutory accounts

The financial information, for the year ended 31 December 2016, set out in this announcement does not constitute statutory accounts. This information has been extracted from the Group's 2016 statutory financial statements upon which the auditors' opinion is unmodified. The Company financial statements contain an emphasis of matter opinion in connection with the carrying value of the parent company investment in its subsidiaries.

2. Basis of preparation

The financial information, for the year ended 31 December 2016, set out in this announcement, has been:

- computed in accordance with International Financial Reporting Standards ("IFRSs"), however this preliminary announcement does not contain sufficient information to comply with IFRSs. The IFRS compliant Consolidated Financial Statements will be published in the Annual Report for the year ended 31 December 2016; and
- prepared on the basis of the accounting policies as stated in the Annual Report for the year ended 31 December 2016.

3. Going concern

The attached financial statements are prepared on a going concern basis. Having assessed cash flow projections through to January 2021 the Directors believe this basis to be appropriate for the following reasons:

Patagonia Gold has successfully transformed itself from a pure exploration company to fully fledged producer. Until Lomada de Leiva started commercial production in 2013 Patagonia Gold's focus was exploration work on its portfolio of properties in Chubut, Rio Negro and Santa Cruz. The Company started a small heap leach operation at Lomada de Leiva which had a relatively short life and in May 2016 the mining operation was suspended. The Lomada pad continues to produce gold at approximately 15 ounces per day and the Company has decided to leave the pad irrigating for the present time until the process become unviable. Exploration activity in the surrounding areas continues.

Anticipating the end of the Lomada mine, the Company has advanced the Cap-Oeste project through the construction of a heap leach operation similar to the one at Lomada. The capital cost of this project was \$13.3 million, which has been funded from the successful fundraising of \$10 million completed in May 2016 together with cash flow from Lomada and existing and new credit lines. The Company maintains a strong relationship with a number of Argentine banks and is confident in its ability to secure both short and longer term borrowings as required. The Company has met all repayment dates and interest payments in accordance with loan terms throughout the year, and to the date of this report. The development of the initial open pit mine at Cap-Oeste has been completed on time and within budget, with the first gold pour on 27 October 2016. However, initial recoveries have been lower than anticipated and the Company is in the process of installing an agglomeration circuit to improve recovery rates

which is expected to be completed by the end of June 2017. With the installation of the agglomeration circuit, the Directors are forecasting production from Cap-Oeste of 68,500 oz AuEq for 2017 and the Directors therefore believe that the cash flow generated from this project will be sufficient to meet its obligations and lower the Company's debt position while at the same time enabling it to continue with its exploration activities. In addition, the Company is looking into the development of COSE and the Cap-Oeste sulphide resources which would be financed through internal cash flow, supplier credit and other project financing alternatives.

The Company is constantly reviewing M&A opportunities aimed at capitalising on its experience of operating in Argentina and its existing project portfolio.

Taking into account the nature of the Group's current and planned activities, the future potential opportunities available to the Group, the availability of external loan finance and the flexibility within the plans both operationally and for cash flow purposes, the Directors have therefore concluded that the financial statements should be prepared on a going concern basis.

4. Mineral properties

	Mining assets \$'000	Surface rights acquired \$'000	Assets in the course of construction \$'000	Total \$'000
Cost				
At 1 January 2015	3,211	1,850	1,664	6,725
Additions	92	-	1	93
Exchange differences	(1,001)	(630)	(566)	(2,197)
At 31 December 2015	2,302	1,220	1,099	4,621
At 1 January 2016	2,302	1,220	1,099	4,621
Additions	9,921	-	10	9,931
Exchange differences	(427)	(227)	(204)	(858)
At 31 December 2016	11,796	993	905	13,694
Amortisation				
At 1 January 2015	1,534	-	-	1,534
Charge for the period	461	-	-	461
Exchange differences	(654)	-	-	(654)
At 31 December 2015	1,341	-	-	1,341
At 1 January 2016	1,341	-	-	1,341
Charge for the period	284	-	-	284
Exchange differences	353	-	-	353
At 31 December 2016	1,978	-	-	1,978
Net book value				
At 31 December 2016	9,818	993	905	11,716
At 31 December 2015	961	1,220	1,099	3,280

Mining assets

The Lomada Project completed the trial heap leach phase and entered full commercial production in Q3 of 2013. From 1 September 2010 all development costs incurred in respect of the project have been capitalised as mineral properties - mining assets. The revenue received from the sale of gold and silver recovered from the Lomada trial heap leach project to 30 June 2013 was \$1.1 million. These proceeds were offset against the capitalised costs of Lomada Project development in compliance with IAS 16. Amortisation is charged based on the unit-of-production method.

The Company completed the development of Cap Oeste Project in September 2016, entering into production in the last quarter of the year. As a result of the experience gained at Lomada, no trial production period was required at Cap-Oeste. Revenue from commercial production was therefore recognised from the outset. The development expenditure capitalized will be amortised based on the unit of production method.

Trilogy Mining Corporation

In January 2016, Patagonia Gold entered into an earn-in agreement with Trilogy Mining Corporation ("Trilogy") in relation to the San José Project in Uruguay. This agreement with Trilogy represents a great opportunity to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks. This has been recognised within mining assets additions at a cost of \$0.8m. No fair value has been attributed to the future potential investment or earn-in at this stage, the directors consider it to be too early to ascribe any value to this. The directors have considered and concluded that no impairment in value is needed at 31 December 2016. This investment was made directly by the parent company and is therefore reflected in the parent company balance sheet as well as that of the Group.

Surface rights

The Company owns the surface rights to over 63,000 hectares of land encompassing the Estancia La Bajada, Estancia El Tranquilo and the Estancia El Rincon.

The Company has clear title and outright ownership over Estancia La Bajada and Estancia El Tranquilo. There is a back in right granted to the sellers under Estancia El Rincon's title deed whereby the Company irrevocably committed to resell the estancia to its former owner in the event that two consecutive years elapse without mining activities. Current activity on this estancia includes the Lomada Project.

Assets in the course of construction

From 1 March 2011, exploration costs on the COSE Project have been capitalised as mineral properties - assets in the course of construction, prior to the receipt of full permitting for extraction of the mineralisation.

5. Inventory

Inventory comprises gold held on carbon and in the pile, plus consumables, and is valued by reference to the costs of extraction, which include mining and processing activities. Inventory and work in process is valued at the lower of the costs of extraction or net realisable value. Inventories sold are measured by reference to the weighted average cost.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Work in process				
Gold held on carbon	1,455	1,854	-	-
Ore stockpiles	6,319	-	-	-
Consumables	2,389	399	-	-
	10,163	2,253	-	-

Ore stockpiles at Cap-Oeste have been valued using an assumed recovery rate of 80%. Consumables represent stocks of mining supplies, reagents, lubricants and spare parts held on site.

The cost of inventories recognised as an expense and included in the cost of sales amounted to \$13.1 million (2015: \$27.3 million).

All inventories are expected to be sold, used or consumed within one year of the balance sheet date.

6. Trade and other payables

Current liabilities	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade and other payables	8,951	5,598	12	31
Income tax	271	-	-	-
Intercompany payables	-	-	42	43
Short term loans	18,010	13,346	6,705	4,096
Other accruals	175	773	175	773
	27,407	19,717	6,934	4,943

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

The Group takes short term loans for the purpose of financing ongoing operational requirements. The Group's short term loans are denominated in USD and are at fixed rates of interest. Loans are provided from a range of banks.

Interest rates on short term loans ranged from 3.5% to 10%, priority has been given to repaying those at the higher rates.

7. Loans and provisions

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Long term loans	8,201	1,681	-	-
Provisions	1,052	607	-	-
	9,253	2,288	-	-

The Group takes long-term loans for the purpose of financing ongoing operational requirements. The Group's long-term loans granted to PGSA are denominated in \$ and are at fixed rates of interest. Long-term loans are provided by Argentinian banks and are backed by a Letter of Guarantee from the Company. Interest rates on long-term loans ranged from 6.3% to 7.0%.

8. Annual Report

The Annual Report for the year ended 31 December 2016, Notice of the Annual General Meeting and Form of Proxy will shortly be available on the Company's website at www.patagoniagold.com and will be posted to shareholders shortly.

The Annual General Meeting of the Company will be held on 27 April 2017 at 11.00 a.m. at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH.

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