

Patagonia Gold PLC : Trilogy Earn-In Agreement

Released : 02.02.2016

RNS Number : 7135N

Patagonia Gold PLC

02 February 2016

Patagonia Gold Plc

Patagonia Gold announces execution of Option Agreement with Trilogy Mining Corporation on the Carreta Quemada and Chamizo projects in Uruguay

London, United Kingdom 2 February 2016 - Patagonia Gold Plc (AIM: PGD) ("Patagonia Gold" or the "Company") is pleased to announce that further to the announcement made on 9 November 2015, the Company has executed the option agreement to acquire up to 100 per cent. of Trilogy Mining Corporation's gold projects in Uruguay.

Patagonia Gold believes that this transaction represents an excellent opportunity to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its geographical and political risk.

Trilogy option agreement

Patagonia Gold has entered into an earn-in agreement ("Earn-In Agreement") dated 30 January 2016 to acquire up to 100 per cent. of Trilogy's Carreta Quemada and Chamizo gold projects in Uruguay (the "Projects").

The key terms of the Earn-In Agreement are consistent with those set out in the announcement dated 9 November 2015 and are as follows:

Phase I Option

Patagonia Gold will earn a 51 per cent interest in the Projects in the event that it funds expenditures of US\$1.5 million into the Projects in the 18 month period following the signing of the Earn-In Agreement ("Phase I Option Period"). The Company will earn a 15% interest in the Projects during the Phase I Option Period if it funds expenditures of US\$500,000 on the Projects.

Phase II Option

In the event that the Company exercises its Phase I Option in full, acquiring a 51 per cent. interest in the Projects, it will have the right to acquire a further 29 per cent. (the "Phase II Option") to increase its holding to 80 per cent of the Projects by funding an additional US\$2 million of expenditure into the Projects during the subsequent 2 year period following such exercise ("Phase II Option Period").

No cash payments will be made to Trilogy upon completion of the Phase I Option Period and the Phase II Option Period and all funds provided by Patagonia Gold will be invested directly into exploration activities on the Projects. At the end of Phase II, Patagonia Gold will deliver a JORC compliant resource report ("JORC Report").

Put Option

Following the exercise of the Phase II Option and subject to the JORC Report containing a minimum of 400,000 measured and indicated ounces of gold equivalent, Trilogy shall have a put right ("Put Right") to require that Patagonia Gold acquires its then remaining 20 per cent. interest in the Projects at a purchase price of US\$10 per ounce of gold

equivalent, multiplied by the number of measured and indicated ounces of gold equivalent as set out in the JORC Report (up to a maximum of 1.5 million ounces), to be satisfied, at the election of Patagonia Gold, either in cash or by the issue of new ordinary shares in Patagonia Gold. The Put Right shall have a term of 60 days following board approval of the JORC Report. Alternatively, Trilogy may continue to participate in development of the Projects by investing on a pro-rata basis, thereby retaining a 20% holding in the Projects.

It is anticipated that the interests of Patagonia Gold in the Projects will be held through a joint venture vehicle to be incorporated by Patagonia Gold prior to the end of the Phase I Option Period.

The Earn-in Agreement will result in no changes to the Board of Patagonia Gold.

About Trilogy

In the year ended 31 December 2014, Trilogy had a loss before tax of C\$185,720 and net assets of C\$2.18 million.

About the Projects

Trilogy has compiled a dominant land package on the San José Greenstone Belt (SJGB) within the early Proterozoic Piedra Alta Terrane, with a combined land package totalling 458km². Trilogy, a privately owned company incorporated in Vancouver, Canada, holds its Uruguayan exploration interests through two subsidiaries; Ecovent S.A., which wholly owns the Carreta Quemada ("CQ") Project, (388km²), and Minerales Cala S.A., which is earning an 80% participating interest in the Chamizo Joint Venture (70km²), from Orosur Mining Inc., formerly Uruguay Mineral Exploration.

The Projects are located approximately 100km from Montevideo, the capital of Uruguay, and benefit from excellent infrastructure and access. Topography is very subdued at 100m above sea level and the land is used primarily for grain and beef production.

The Projects are located within a lower Proterozoic metamorphic belt (+/- 2Ga), comprising greenschist to lower amphibolite facies metasediments and metavolcanics with frequent large granitic-granodioritic intrusives. The geological setting appears typical of the terranes that host some of the world's most prolific Orogenic gold belts.

There has been very little exploration conducted across the CQ Project, the larger of Trilogy's land holdings, where geochemical surveys over a <10% of the tenement area have identified visible gold in numerous drainages and defined a high priority target where a single 84m trench exposed a wide zone of quartz veins with Fe oxides after sulphides, including 45m at 0.18ppm Au. The very early stage results received to date indicate potential for large scale, low grade mineralisation in the target area. The target is spatially associated with a regional, NW-SE striking structural corridor indicated in aeromagnetic data. The CQ Project covers a strike length of 35km along/within this apparent structural zone. Detailed follow-up of the target has been delayed while waiting for the completion of the issuance of a prospecting permit, which is in its final stages.

The Chamizo Project, which lies to the east of, and is contiguous with the CQ Project area, was identified by regional exploration during the late 1980s. Two zones of shear hosted mineralisation were partially tested in the early 1990s by Compañía Minera San José, a subsidiary of American Resource Corporation, which drilled 116 mostly shallow holes that defined two separate zones of ore-grade mineralisation (Zone 13 and Zone 14), each up to 300m long and open along strike, with average true widths typically 5m and grades between 1.5 and 2.0 g/t Au. The mineralisation is hosted in sericite schist with varying degrees of quartz veining and silicification. There is potential for up to 50,000 oz of gold equivalent at Zona 13 but the Zona 14 mineralisation is too discontinuous to estimate any resource potential. Although the two targets do not immediately present economic development opportunities, the significance is that economic grade mineralisation exists in the Chamizo Project area and the remainder of the project has not been subjected to modern exploration programmes. Other untested targets exist.

The now abandoned Mahoma Au mine is located approximately 10km west of the Chamizo Project boundary and a clear topographic lineament links both properties. The Mahoma mine (previously operated by American Resource Corporation) produced 16,419 ounces (73.431 tons at 6.98 g / t gold with 91.6 percent recovery) between 1993 and 1997 from narrow quartz veins in an approximately E-W striking shear zone.

In summary, Patagonia Gold believes that the properties are good exploration projects, with proven potential on a very poorly explored greenstone belt, but it is too early to consider either a resource development project. It is intended that the funding provided by Patagonia Gold in Phase I will be used to finance a systematic exploration programme, seeking to discover a potential stand-alone gold resource within 18 months, subject to grant of tenure and land access.

Ends

About Patagonia Gold

Patagonia Gold Plc is a mining company that seeks to grow shareholder value through exploration, development and production of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on three projects: the flagship Cap-Oeste/COSE project, the La Manchuria project and the Lomada heap leach project, which is generating free cash flow. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina and Chile, and is one of the largest landholders in the province of Santa Cruz.

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.

Contact Information

Christopher van Tienhoven
Patagonia Gold S.A.
+54 11 5278 6950

Angela Hallett/James Spinney
Strand Hanson Limited
Tel: +44 (0)20 7409 3494

Stewart Dickson
Cantor Fitzgerald Europe
Tel: +44 (0)20 7894 7000

This information is provided by RNS
The company news service from the London Stock Exchange

END

MSCSSLFAFFMSEDE