



## Patagonia Gold PLC : Final Results

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Patagonia Gold PLC

15 April 2016

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

#### **Final Results**

Patagonia Gold Plc (AIM: PGD), the mining company with gold and silver projects in the southern Patagonia region of Argentina, Chile and Uruguay, announces the financial results for the year ended 31 December 2015. These results are presented in United States dollars ("US\$") unless otherwise stated.

#### **2015 FINANCIAL HIGHLIGHTS**

- Total revenue of US\$26.13 million (2014: \$35.9 million) recognised from commercial production of gold at an average price of US\$1,165 per ounce.
- As at 31 December 2015, the Company had approximately US\$1.7 million (2014: \$5.6 million) in cash and cash equivalents.
- Cost savings in the region of US\$ 1.0 million achieved during 2015.

#### **2015 OPERATIONAL HIGHLIGHTS**

- Total production at the Lomada mine in 2015 was 21,521 ounces of gold.
- Appointment of Christopher van Tienhoven as new CEO and member of the Board.
- Election of new government in Argentina with implementation of positive new political and economic measures expected to improve investment environment in Argentina.

#### **SUBSEQUENT EVENTS**

- Decision made to proceed with construction of heap leach Lomada style project at Cap-Oeste.
- Improvement in production from Lomada with scheduled production of 9,000 ounces for Q1 2016 met.
- Cash Cost for Q1 2016 of US\$625 per ounce.
- Option agreement to acquire up to 100% of the San Jose exploration gold project in Uruguay.

The Annual General Meeting of the Company will be held on Tuesday, 10 May 2016 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 2015, Notice of Annual General Meeting and Form of Proxy are being posted to shareholders today.

*The Company's complete financial statements for the 12 months ended 31 December 2015 with the notes, will shortly be available on Patagonia Gold's website at [www.patagoniagold.com](http://www.patagoniagold.com).*

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Stewart Dickson

### Chairman's Statement

I am pleased to present the 2015 Annual Report of Patagonia Gold Plc ("Patagonia Gold" or the "Company").

Following the retirement in June 2015 of William Humphries, who served as the Company's CEO for almost 15 years, Patagonia Gold appointed Christopher van Tienhoven as the new CEO and as a member of the Board. Christopher has vast experience in the mining industry and his recent appointment to the Company will be of great benefit to Patagonia Gold at a time when it is facing a number of new challenges. On behalf of Patagonia Gold, I wish our new CEO the best of success in this new role.

In December 2015, Argentina elected a new government. The change of government, which has resulted in a number of new political and economic measures being implemented by the newly elected administration, such as the Peso devaluation and the elimination of foreign exchange restrictions, has been positively received by the market, and we hope this will lead to a much improved political and economic environment for future investment in Argentina.

In terms of our operation, 2015 has been a challenging year for the mining sector generally, and our Lomada de Leiva ("Lomada") gold mine has not been exempt from this. We experienced higher production costs due to an increase in local costs coupled with the fixed exchange rate, together with lower production. During the last quarter of the year, part of the operating difficulties were overcome and the Peso devaluation implemented by the new government has helped to lower our production costs. The Lomada heap leach project is an important part of the Company as it is currently the primary source of income. Gold production from Lomada is expected to continue until the end of 2017 even though the mining operation will be suspended from the end of May 2016, as gold is expected to continue to be recovered from the heap leach for at least 12 months thereafter. Following a series of updates and pre-feasibility industry studies, the Company is also, subject to funding, seeking to develop a small scale heap leach operation at Cap-Oeste during 2016. Annual gross revenues for 2015 totalled US\$26.13 million at an average gold price of US\$1,165 per ounce.

The gold price remained relatively steady throughout 2015 and has been showing signs of improvement since the beginning of 2016. Given the current low commodity prices and expectations for an improvement in the mining industry in the mid to long term, we believe that there will be numerous joint ventures and acquisition 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.

Despite the difficulties experienced over recent years by the mining industry in general and the Company 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 efforts over the past year. Your support has been crucial to the successful growth of the Company. Gratitude also goes 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 the development of Cap-Oeste during the course of the upcoming year.

**Carlos Miguens**  
Non-Executive Chairman  
14 April 2016

### Report from the Managing Director / Chief Executive Officer

2015 was a transition year for Patagonia Gold with a change in CEO and a focus on stabilising production and reducing operating costs. As a result of the changes implemented throughout the year, it was pleasing that during the fourth quarter production at Lomada returned to budgeted levels and nominal profitability.

Total production at the Lomada mine in 2015 was 21,521 ounces of gold. A total of 22,227 ounces of gold were sold during 2015 at an average gross price of US\$1,165 per ounce, with annual gross revenues of US\$26.13 million.

As the economics of the Cap-Oeste open pit and underground operations, in conjunction with the Cap-Oeste South-East ("COSE") underground project, have improved following the changes in the economic environment in Argentina, the Company has continued to review alternatives to bringing the projects into production. In February 2016 the Company announced that it would commence construction of a heap leach Lomada type project at Cap-Oeste (in Bajada) to treat open pitable oxide material amenable to heap leach processing. The construction of a heap leach project at Cap-Oeste, which is subject to funding, will provide a seamless transition from the Company's current mining operation at Lomada, which, once completed will provide the Company with the cash flow to meet its short-term financing commitments and at the same time allow the Company to continue exploring identified targets in the region. The Company expects to implement the project in a cost-efficient manner by using the experienced team from Lomada. The project, subject to funding, is anticipated to commence production during Q3 2016 and the total gold equivalent production during the 24 month expected mine life, is estimated to be approximately 82,000 ounces. Alternatives to treat the higher grade sulphide ore continue to be reviewed and if implemented, would result in increasing the project's mine life to six years with the development of the two underground projects at Cap-Oeste and COSE.

In January 2016 Patagonia Gold entered into an option agreement with Trilogy Mining Corporation ("Trilogy") to acquire up to 100% of the San José advance exploration gold project ("San José Project") in Uruguay. This agreement 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.

In view of the current market conditions, the Company continues to endeavour to achieve operating efficiencies and during 2015, Patagonia Gold adopted several measures aimed at achieving cost reductions and optimising its organisational structure. As a result of these measures, the cost savings achieved during 2015 were in the region of US\$1.0 million. 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.

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*  
14 April 2016

## **Operations Report**

### **Patagonia Gold Plc**

Patagonia Gold is a gold and silver mining and exploration company, principally operating in Argentina. The Company's growth strategy aims to develop a number of projects located in the province of Santa Cruz in the southern Patagonia region of Argentina, a mineral-rich region that hosts several medium sized producing assets such as the Cerro Vanguardia Mine (AngloGold Ashanti), Manantial Espejo (Pan American Silver Corp.) and the world class Cerro Negro mine (Goldcorp Inc.) currently under development.

The Company holds, directly or indirectly through its subsidiaries or under option agreements, the mineral rights to over 220 property interests in Argentina, Chile and Uruguay. These include the mineral rights to 67 property interests in the province of Santa Cruz in Argentina covering approximately 190,000 hectares held by the Company's 90% owned Argentinian subsidiary, Patagonia Gold S.A. ("PGSA") and to 51 property interests covering approximately 156,000 hectares held by the 100%-owned Argentinian subsidiary Minera Minamalu S.A. ("Minamalu").

The Company's operations in Santa Cruz are managed and operated through PGSA and the land holdings in Santa Cruz include approximately 200,000 hectares acquired from Barrick Gold Corporation in 2007 and a further 100,000 hectares acquired from the Santa Cruz government's wholly-owned mining company, Fomento Minero de Santa Cruz Sociedad del Estado ("Fomicruz") in 2011.

Fomicruz acquired 10% of PGSA in return for the rights to explore, develop and mine 100,000 hectares of Fomicruz's prospective mining properties. Patagonia benefits from having the Santa Cruz government as a strategic partner in developing a number of PGSA's projects, including the four main properties discussed below.

### **Patagonia's Properties**

The Lomada gold project (the "Lomada Project") is located in the La Paloma property block approximately 120 kilometres to the north of the El Tranquilo property block. Following successfully completing a heap leach trial at the Lomada Project, it was brought into full production in 2013.

Patagonia's flagship project is the Cap-Oeste gold and silver project (the "Cap-Oeste Project") located in the El Tranquilo property block approximately 65 kilometres southwest of the town of Bajo Caracoles in Santa Cruz. The Company's aim is to continue to expand the Cap-Oeste Project resource base and, subject to funding, to develop an initial open pit mine with a heap leach pad, with production expected to commence in Q3 2016.

Two kilometres along strike from the Cap-Oeste Project is the smaller but strategically vital COSE project (the "COSE Project"). The Company plans, subject to funding, to commence development and mining of the COSE Project in conjunction with the Cap-Oeste Project as one expanded project.

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. La Manchuria is currently being evaluated as a potential source of heap leach feed for the Cap-Oeste heap leach pad.

Exploration of the El Tranquilo block has been halted as of November 2015 and first pass exploration of regional permits commenced, first pass grass roots investigations at Las Lajas and Los Toldos has been completed plus follow up work at La Manchuria and also Sarita also commenced. A team has been dispatched to Uruguay to commence a ground magnetics survey and carry out first mapping and geochemical sampling programmes. An IP survey is also scheduled and expected to be underway in April 2016, the objective being to have preliminary drill ready targets by May 2016.

Resources delineated as at 31 December 2015, which takes into account production at Lomada during 2015, are listed in the table

below:

INDICATED RESOURCES							
Area	Indicated	Grade (g/t)			Metal (oz)		
Name	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	14,585,000	1.82	56.32	2.76	855,000	26,407,000	1,295,000
Lomada	4,000,465	0.48	NA	NA	61,919	NA	61,919
TOTAL Indicated					1,001,299	30,580,211	1,495,603

INFERRED RESOURCES							
Area	Inferred	Grade (g/t)			Metal (oz)		
Name	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					423,061	3,495,236	565,408

INDICATED + INFERRED RESOURCES							
					Au	Ag	AuEq*
Total Indicated and Inferred (oz)					1,424,360	34,075,447	2,061,011

\* 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

### Lomada Project

The Lomada mine produced 21,521 ounces of gold in 2015 with annual sales of 22,227 ounces of gold and a gross revenue of US\$26.13 million. All-in costs for the Lomada Project were US\$1,196 per ounce.

2015 represented a very poor year for the Lomada Project due to targeted material movements not being achieved, which resulted in production being negatively affected and costs increasing dramatically on a dollar per ounce basis. 2016 has commenced considerably better with the scheduled production of 9,000 ounces for Q1 2016 having been met. During 2015, machine availability and longer than necessary importation delays were the main reasons for excessive down time. Importation restrictions have, for the most part, now been lifted since the new government was elected and as a result, lead times have been drastically reduced. Patagonia Gold expects the new regulations to positively impact its operations going forward.

Operations at Lomada are scheduled to be suspended by May 2016 as near mine exploration continues. The mining fleet and staff will be relocated directly into the Cap-Oeste heap leach development with an anticipated required transitional period of approximately two months before the full fleet will be operational in Cap-Oeste.

The heap leach pad at Lomada will continue to operate at full capacity, although gold production from Lomada will drop considerably from August through to mid-2017, although at the present time guidance of the final estimated production cannot be provided. The performance of the pad will be evaluated as the irrigation reaches the full design throughput of 2m<sup>3</sup>/T of ore. Currently the main heap leach pad has received 82% of its design irrigation quota.

Exploration on the 40,000 hectare La Paloma block is ongoing and detailed ground magnetics, and a geochemical, trenching and drilling programme will be continuing throughout 2016. The objective is to replenish and expand the 30,000 ounces of production per annum and explore the previously under-explored La Paloma block. Historical drilling encountered mineralisation at depth which is open in all directions however, there has been limited success from the current drilling program in delineating a viable mineable resource. Drilling will continue on targets close to the existing pit along strike and down dip of the Lomada mineralisation at the Breccia Sofia target and should a mineable resource be identified, mining operations will re-commence.

### 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. The Cap-Oeste deposit to date has an identified and delineated strike extent of 1.2 kilometres.

Since acquiring the property from Barrick in 2007, the Company has drilled 563 holes by May 2015 for a total of 106,153 metres. In this time the Company has produced several resource updates with the latest JORC compliant resource estimate completed by CUBE Consulting Pty Ltd (based in Perth, Australia). The current JORC Indicated resource contains 14.1Mt @ 1.96 g/t Au and 59.29 g/t Ag for a contained 887k ounces of Au and 26.9M ounces of Ag with Inferred resource category material of 7.7Mt @ 1.46 g/t Au and 23.39 g/t Ag for a contained 360k ounces of Au and 5.8M ounces of Ag.

The initial focus at Cap-Oeste is on the development of an open pit mine and heap leach pad with a 24 month mine life. Throughput will be similar to that of Lomada, with an initial 1.55Mt @ 2.23 g/t Au and 80g/t Ag loaded to the new pad. Underground mine development studies have also been completed on the COSE and Cap-Oeste orebodies which contain deeper cyanide leachable resources, processing options remain either the possibility to agglomerate and heap leach the ore or assess third party treatment routes. No decision to date has been taken on which route will be adopted.

Testwork continues on the sulphide material in search of a suitable solution to recover the gold trapped in the refractory portion and the non-refractory mineralisation. A mine design accessing only the super high grade portion of the Cap-Oeste mineralisation is underway with various treatment options including third party toll treatment as a potential route to unlock the contained value and produce positive cash flow. A mixture of very high grade COSE style mineralisation has been identified within areas previously classified as refractory sulphide, this mineralisation has abundant free gold and very high grade leachable silver sulphides present within the sulphide envelope. This data has now been included into the existing resource and underground mine study.

### **COSE Project**

The COSE Project, located two kilometres along strike from the Cap-Oeste Project, is currently planned, subject to funding, to be the next project within the Company's portfolio to be developed. COSE is a fault breccia hosted quartz sulphide rich Au-Ag system hosted within the intersection of the steeply dipping COSE (extension of Bonanza) fault and cross cutting northeast and southwest trending structures. The mineralisation was discovered in early 2010 during exploration along the Bonanza fault towards the Tango prospect.

The COSE Project was previously undrilled and initial drilling results indicated that the grades intersected might lead to the delineation of a stand-alone resource for short-term development. This proved to be the case with a resource of slightly below 100,000 AuEq ounces being delineated in approximately 69,000 tonnes of material in the updated resource estimate prepared in March 2015. Wide low grade or diffuse zones of Ag rich low-grade Au mineralisation characterise the mineralisation outcrops at surface and within the first 130 metres vertically down dip. Below 130 metres and continuing to a currently delineated depth of 260 metres, the width of the fault hosted breccia decreases and the grade of both Au and Ag increase exponentially leading in turn to the overall resource grade being estimated in excess of 44 g/t Au Eq. The mineralised structure containing the COSE deposit remains open at depth and along strike. Future deeper drilling which is required in order to test the down dip potential of the deposit will be carried out from underground.

In 2010 the Company filed the maiden NI 43-101 resource estimate for the COSE Project. A preliminary economic assessment ("PEA") was completed to establish viability for the construction, mining and processing of the deposit. The PEA showed the project could be constructed and mined out in a 23-month period and to have very attractive financial characteristics that included a production rate of 3,600 tonnes per month at a cash cost of US\$167 per tonne, net revenue of US\$63.7 million (assuming gold price of US\$1,204 per ounce and Ag of US\$23.75 per ounce) and a net present value of US\$56.8 million at an 8% discount rate, an extraordinary internal rate of return of 870% and a payback period of only two months after the start of production.

One geotechnical and met testwork hole was drilled during 2015 and this material utilised in a gold department and flotation testwork programme currently underway at BASE Metallurgical Laboratories Ltd in Canada, preliminary data show good recovery to floatation although final results are not yet on hand. Once available these will be published.

### **La Manchuria Project**

The La Manchuria Project is located approximately 44 kilometres south-east of the Cap-Oeste and COSE deposits and represents a large system of low sulphidation style vein hosted gold-silver (Au-Ag) mineralisation which outcrops at surface. Shortly after acquisition from Barrick in 2007, the Company launched a three-year exploration programme that included soil geochemistry, mapping, trenching, petrographic analysis and topographic surveying. To date, the Company has completed three drilling campaigns for a total of 20,993 metres of diamond and reverse circulation drilling on this project.

An NI 43-101 resource estimate, released in September 2010, listed Indicated Resources at 55,684 ounces of AuEq and Inferred Resources of 90,682 ounces of AuEq. High-grade gold and silver mineralisation is open along strike to northeast and southeast.

### **Exploration Summary**

The exploration strategy during the reporting period has changed significantly from being largely focussed on exploration of the El Tranquilo and La Paloma blocks in Santa Cruz, to a more regionally focussed greenfields exploration strategy, both in Argentina and Uruguay. Exploration has been undertaken over the El Tranquilo, Manchuria Sur, Las Lajas, La Paloma and Sarita blocks in Santa Cruz, data review in Chubut and Rio Negro as well as commencement of field work on the San José Project in Uruguay.

Type	Volume	Comment
Mapping	193km <sup>2</sup>	Las Lajas, Cerro Vasco and San José
Soil Geochemistry	14	Orientation Survey at San José Project (Uruguay)
Ground Magnetics	1219 line-km	El Tranquilo, La Paloma, and San José
Gradient Array IP	11 line-km	Propiedad 29
Pole-Dipole IP	13.5 line-km	Cap-Oeste-Valle infill
Rock Chip Sampling	651 samples	Mostly at Las Lajas and Cerro Vasco
Sawn channels	430.2m	
Trenching	2113m	
RC Drilling	-	
Diamond Drilling	4884m	El Tranquilo, Manchuria Sur and La Paloma

### ***El Tranquilo Project***

The detailed Pole-Dipole (PDP) IP survey over the Cap-Oeste - COSE corridor was completed during the reporting period, with infill lines acquired to better define anomalies for targeting a diamond drilling programme which commenced during late September 2015.

**La Pampa Prospect.** Two deep diamond holes were drilled to test a strong Chargeability anomaly along the projected extension of the Cap-Oeste-COSE structural corridor. The holes intersected broad zones of arsenopyrite rich, Cap-Oeste style

mineralisation but gold grades averaged only 0.18ppm.

**Cap-Oeste Prospect.** A single PQ diamond hole was drilled to collect metallurgical samples from the deep levels of the deposit, in the vicinity of hole CO-317-D. The metallurgical hole (COM-017-D) intersected a 19m wide zone of Cap-Oeste style mineralisation in the target zone however there was no obvious COSE style mineralisation intersected.

38 coarse reject composite samples, representing potentially economic grades from historic drill intercepts were selected from 30 drill holes located in the lower part of main (A) ore-shoot at Cap-Oeste. The weighted average Au recovery for all samples tested was 58.5% enhanced by better recoveries associated with higher grades, including values up to 84.4%.

**COSE Prospect.** A single PQ diamond hole was drilled to collect metallurgical samples. Discontinuous mineralisation was intersected between 216.6m and 243.0m, from which seven samples were selected for metallurgical testing. The highest assays reported from the testwork programme were 307ppm Au and 3940ppm Ag in different samples.

**El Valle Prospect.** The PDP IP survey defined a coincident Chargeability-Resistivity anomaly deep beneath a hydrothermal eruption breccia where gold grades to 1.8ppm are associated with very high pathfinder element concentrations. A single diamond hole tested the target which was found to be a sub-volcanic trachytic dome with a pyritic halo, of the same suite that also underlies the Cap-Oeste deposit and Don Pancho prospects. The most significant assay from the hole was 1.2m at 408ppm Ag.

**Propiedad 29 Prospect.** Reconnaissance mapping and sampling defined breccias and veins with strongly elevated pathfinder elements (including the highest surface Hg grades reported from the El Tranquilo project) and anomalous Au grades to 0.67ppm Au. Ground magnetic and Gradient Array IP surveys were completed over the prospect followed by two short diamond drill holes to test what were considered to be the best targets. No anomalism was reported.

### **La Paloma Project**

Exploration work at the La Paloma project during the reporting period focussed primarily on the Lomada, Brecha Sofia and Cerro Vasco prospects.

**Lomada.** A 26.5km<sup>2</sup> ground magnetic survey was completed over the Lomada south area during September 2015. Subsequent processing of the data has revealed numerous strong lineaments of which some are ore controlling structures at Lomada.

Five shallow diamond drill holes were drilled to test structures mapped and sampled at Lomada south. The holes intersected the structures but Au values were only weakly anomalous, to 0.12ppm.

**Bandurria Prospect.** The prospect is located immediately to the west of the La Paloma block, in vacant ground. Two main systems with crustiform and carbonate replacement vein textures are evident at the prospect with Au reported from the western vein only although the eastern vein system shows good textures and may be mineralised at depth. Assays up to 9.52ppm Au and anomalous values reported over approximately 500m of strike length. Negotiations are in progress to secure tenure over the prospect which is situated within the Cueva de los Manos archaeological reserve, although approximately 15km from the main site.

**Brecha Sofia Prospect.** After a land access stalemate with the owner of Estancia La Cantera for many years, access terms were recently agreed. A review of the historic Brecha Sofia drilling revealed potential for a high grade underground structure to exist. Intersections of 12m at 5.0ppm Au, 3.2m at 13.1ppm Au and 3.0m at 140.6m are all open at depth. A short drill programme of 695m involving re-entry and extension of historic drill holes was completed during March. The holes intersected hydrothermal breccia in the target zone and assays are anticipated during April 2016.

**Cerro Vasco Prospect.** Exploration work was recommenced at the prospect after an absence of three years. A 19km<sup>2</sup> ground magnetic survey was completed in conjunction with extensive reconnaissance mapping and sampling. The magnetics have revealed strong lineaments of which the most dominant coincide very well with some IP Gradient Array anomalies, the Brecha La Emilia mineralisation and sporadic occurrences of mineralised float samples. A rotary air blast drilling programme is proposed to test beneath the widespread recent cover sequence.

### **La Manchuria Sur Project**

Four diamond drill holes for 473m were drilled at three prospects within the La Manchuria Sur (Fomicruz) block.

**Cerro Turulo Prospect.** Two diamond holes were drilled to test:

- (a) the SE extension of strongly elevated surface channel samples (to 14.5ppm Au and 234ppm Ag); and
- (b) a very strong PDP-IP Chargeability anomalies, coincident with strong Resistivity gradient and ground magnetic lineament.
- (c)

The holes returned weak gold grades to 0.62ppm, with a best intersection of 13.4m at 0.35ppm Au, hosted within a magmatic andesite breccia with pyrite matrix, which accounts for the very high chargeability response.

**Tres Lagos Prospect.** A single diamond hole tested beneath a surface channel that reported 2.0m at 4.36ppm Au and 174.7ppm Ag. The hole intersected silicified hydrothermal breccia but no significant precious metal assays were reported.

**Veta Speme Prospect.** A single diamond drill hole tested the main structure beneath channel samples up to 3.88ppm Au. The hole intersected tectonic and hydrothermal breccia with strong silicification and alteration however, there were no significant assays reported.

### **Las Lajas Project**

Reconnaissance exploration commenced at the Las Lajas (Fomicruz) project during December 2015. Reconnaissance mapping and sampling has been progressing steadily across the block with encouraging results reported from the La Ultima prospect, where two targets have been defined with rock-chip samples reporting grades to 0.74ppm Au and 13.6ppm Ag from locally banded and brecciated epithermal quartz veins.

The first pass mapping and sampling at Las Lajas is almost complete and the exploration team will soon move to the Los Toldos block to undertake a similar style of programme there.

### **Sarita Project**

Sampling and mapping commenced during the period at the Sarita project after a 4-year hiatus. Previous work focussed largely on the central rhyolite dome target, looking for Las Calandrias style dome hosted mineralisation. The current programme will target the extensive vein system in greater detail with the objective of defining high shoots which can justify drilling. A large ground magnetic surveys is proposed.

### **Santa Cruz Tenement Rationalisation Project**

The Corporate Geoscience Group (CGSG), a Perth, Australia based geological consultancy was engaged to undertake a review of the company's tenure in Santa Cruz with the objective of independently identifying and ranking areas with high prospectivity, utilising all available geological, geophysical, remote sensing and past exploration information.

The principal datasets utilised in the review included regional geological mapping, regional wide spaced aeromagnetic data and most importantly, detailed topographic lineament analysis in conjunction with Landsat 8 multi-spectral data to define silicified (topographic high) lineaments coincident with clay-goethite-ferric iron alteration to indicate hydrothermally altered terrain.

The review identified the Cañadon Largo, Las Lajas and Sarita blocks as having the greatest potential for discovery and delineation of significant gold-silver epithermal mineral systems. Hence, these blocks should be retained in full. Areas of particular exploration interest have been identified by CGSG for each of these blocks.

Additionally, CGSG have identified several areas with high potential for gold mineralisation outside of the PGSA tenements.

### **Chubut and Rio Negro Provinces**

After a long absence from exploration in Chubut and Rio Negro due to the legislative limitations on development of mineral projects in these jurisdictions, it has been decided to reassess the company's extensive tenure in light of the recent political changes at a federal level. Although there have been no changes to the respective moratoria, it is possible that the provincial administrations may review the current legislation with a view to loosening some of the constraints.

The objective of the current programme is to review all PGSA tenure in both provinces, validate databases, define targets, rank the prospectivity of the projects and develop work programmes so that the Company is in an informed position, and prepared to act should any changes be announced in future.

### **San José Project, Uruguay.**

An agreement was signed with Trilogy Mining Corporation (TMC) to earn into the San José Gold Project in San José Department, southern Uruguay in late January. TMC 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 totaling 458km<sup>2</sup>. The SJGB is 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.

Historical exploration in the area has defined shear hosted gold mineralisation at several prospects but there has been little exploration during the last 20 years. Over a period of several years, TMC have conducted extensive stream sediment sampling to define areas of interest.

Exploration work has commenced with one PGSA geologist working together with the Trilogy staff to try to rapidly develop drill targets. The programme proposed incorporates geological mapping, soil geochemistry, ground magnetics, Gradient Array IP and trenching programmes to develop drill targets for testing by mid-year. The Company's magnetometer was taken to Uruguay and to date 330 line-km of data acquisition has been completed at 2 prospects; Zona 15 and Los Panaderos. Although outcrop is very sparse over much of project area, geological mapping has been progressing at the Zona 14, Zona 15 and Los Panaderos prospects with the new magnetic data proving a valuable aid to structural interpretation.

A 79 line-km Gradient Array IP survey over the area was proposed to commence during March but this has been delayed due to complications with the leasing of the geophysical equipment so alternative arrangements, including purchasing the equipment or bringing contractors from Argentina are being investigated.

### **Social and economic responsibility**

Patagonia maintains a strong awareness of its responsibilities towards the environment and existing social structures.

Careful attention is given to ensure that all exploration and development work is carried out strictly within the guidelines of the relevant mining and environmental acts. Patagonia attempts, where possible, to hire local personnel and use local contractors and suppliers.

**Matthew Boyes**  
Chief Operations Officer  
14 April 2016

<i>(Thousands of \$)</i>	<i>2015</i>	<i>2014</i>
<b>Continuing operations</b>		
Revenue	26,128	35,867
Cost of sales	(29,731)	(26,102)
Gross (loss) / profit	(3,603)	9,765
Exploration costs	\$ (5,491)	\$ (5,179)
Administrative costs		
Share-based payments charge	(97)	(555)
Other administrative costs	(11,304)	(10,605)
	(11,401)	(11,160)
Finance income	2,832	1,202
Finance costs	(782)	(1,011)
<b>Loss before taxes</b>	<b>(18,445)</b>	<b>(6,383)</b>
Income tax benefit / (charge)	4,051	(372)
<b>Loss for the year</b>	<b>(14,394)</b>	<b>(6,755)</b>
Attributable to non-controlling interest	(1,310)	(335)
Attributable to equity share owners of the parent	(13,084)	(6,420)
	(14,394)	(6,755)
<b>Other comprehensive expense:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Loss on revaluation of available-for-sale financial assets	(9)	(9)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange loss on translation of foreign operations	(5,521)	(5,249)
<b>Other comprehensive loss for the year</b>	<b>(5,530)</b>	<b>(5,258)</b>
<b>Total comprehensive loss for the year:</b>	<b>\$ (19,924)</b>	<b>\$ (12,013)</b>
<b>Total comprehensive loss for the year attributable to:</b>		
Non-controlling interest	(1,310)	(335)
Owners of the parent	(18,614)	(11,678)
	\$ (19,924)	\$ (12,013)
<b>Net loss per share (\$)</b>		
Basic loss per share	\$ (0.01)	\$ (0.01)
Diluted loss per share	\$ (0.01)	\$ (0.01)

**Consolidated Statement of Financial Position  
at 31 December 2015**

<i>(Thousands of \$)</i>	<i>2015</i>	<i>2014</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	\$ 6,327	\$ 11,789
Mineral properties	3,280	5,191
Mining rights	3,588	3,687
Available-for-sale financial assets	7	18
Other receivables	7,767	12,408
Deferred tax asset	4,790	2,694
	25,759	35,787
<b>Current assets</b>		
Available-for-sale financial assets	-	1,792
Inventory	2,253	3,525
Trade and other receivables	455	878
Cash and cash equivalents	1,694	5,588
	4,402	11,783
<b>Total assets</b>	<b>\$ 30,161</b>	<b>\$ 47,570</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		



Short-term loans	13,346	8,046
Trade and other payables	6,371	8,241
	19,717	16,287
<b>Non-current liabilities</b>		
Long-term loans	1,681	2,786
Provisions	607	1,133
	2,288	3,919
<b>Total liabilities</b>	22,005	20,206
<b>EQUITY</b>		
Share capital	15,690	16,256
Share premium account	154,090	161,285
Currency translation reserve	(11,746)	(15,453)
Share-based payment reserve	17,238	17,990
	(166,553)	(153,461)
<b>Equity attributable to shareholders of the parent</b>	8,719	26,617
Non-controlling interest	(563)	747
<b>Total equity</b>	8,156	27,364
<b>Total liabilities and equity</b>	\$ 30,161	\$ 47,570

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### Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	<i>Equity attributable to shareholders of the parent</i>					<i>Total</i>	<i>Non-</i>	<i>Total</i>
	<i>Share</i>	<i>Currency</i>	<i>Share-</i>	<i>Accumulated</i>	<i>attributable</i>			
<i>(Thousands of \$)</i>	<i>capital</i>	<i>premium</i>	<i>translation</i>	<i>based</i>	<i>losses</i>	<i>to owners</i>	<i>interests</i>	
<b>At 1 January 2014</b>	\$14,108	\$ 160,087	\$ (21,547)	\$ 18,804	\$ (147,294)	\$ 24,158	\$ 1,082	\$ 25,240
<b>Changes in equity for 2014</b>								
Share-based payment	-	-	-	555	-	555	-	555
Issue of share capital								
Issue by placing	2,901	10,505	-	-	-	13,406	-	13,406
Transaction costs of placing	-	(513)	-	-	-	(513)	-	(513)
Exercise of option	86	603	-	(262)	262	689	-	689
Transactions with owners	2,987	10,595	-	293	262	14,137	-	14,137
Loss for the year	-	-	-	-	(6,420)	(6,420)	(335)	(6,755)
<b>Other comprehensive income (loss):</b>								
Revaluation of available-for-sale financial assets	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to \$	(839)	(9,397)	6,094	(1,107)	-	(5,249)	-	(5,249)
Total comprehensive income/(loss) for the year	(839)	(9,397)	6,094	(1,107)	(6,429)	(11,678)	(335)	(12,013)
<b>At 31 December 2014</b>	16,256	161,285	(15,453)	17,990	(153,461)	26,617	747	27,364
<b>Changes in equity for 2015</b>								
Share-based payment	-	-	-	97	-	97	-	97
Issue of share capital								
Issue by placing	210	409	-	-	-	619	-	619
Transaction costs of placing	-	-	-	-	-	-	-	-
Exercise of option	-	-	-	(1)	1	-	-	-
Transactions with owners	210	409	-	96	1	716	-	716
Loss for the year	-	-	-	-	(13,084)	(13,084)	(1,310)	(14,394)
<b>Other comprehensive income (loss):</b>								
Revaluation of available-for-sale financial assets	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to \$	(776)	(7,604)	3,707	(848)	-	(5,521)	-	(5,521)
Total comprehensive income/(loss) for the year	(776)	(7,604)	3,707	(848)	(13,093)	(18,614)	(1,310)	(19,924)
<b>At 31 December 2015</b>	\$ 15,690	\$ 154,090	\$ (11,746)	\$ 17,238	\$ (166,553)	\$ 8,719	\$ (563)	\$ 8,156

**Consolidated Statement of Cash Flows  
for the year ended 31 December 2015**

<i>(Thousands of \$)</i>	<i>2015</i>	<i>2014</i>
<b>Operating activities</b>		
Loss for the year	\$ (14,394)	\$ (6,755)
Adjustments for:		
Finance income	(2,832)	(1,202)
Finance costs	782	1,011
Depreciation	2,728	5,717
Share issue in lieu of payables	619	-
Decrease / (Increase) in available-for-sale financial assets	1,792	(1,792)
Decrease / (increase) in inventory	1,272	(584)
Decrease / (increase) in trade and other receivables	5,064	(846)
(Increase) / Decrease in deferred tax asset	(2,096)	875
(Decrease) / increase in trade and other payables	(1,870)	94
(Decrease) / increase in provisions	(526)	57
Share-based payments charge	97	555
<b>Net cash used in operating activities</b>	<b>(9,364)</b>	<b>(2,870)</b>
<b>Investing activities</b>		
Finance income	2,832	1,202
Purchase of property, plant and equipment	(454)	(2,461)
Additions to mineral properties	(93)	(705)
Proceeds from disposal	282	87
Net expense income from trial production	-	-
<b>Net cash used in investing activities</b>	<b>2,567</b>	<b>(1,877)</b>
<b>Financing activities</b>		
Finance costs	(782)	(1,011)
Increase in loans	18,516	12,330
Repayment of loans	(14,512)	(16,790)
Proceeds from issue of share capital	-	13,406
Transaction costs of placing	-	(513)
Proceeds from exercise of options	-	689
<b>Net cash from financing activities</b>	<b>3,222</b>	<b>8,111</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,575)</b>	<b>3,364</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,588</b>	<b>981</b>
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	<b>(319)</b>	<b>1,243</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,694</b>	<b>\$ 5,588</b>

**Notes**

**1. Publication of non-statutory accounts**

The financial information, for the year ended 31 December 2015, set out in this announcement does not constitute statutory accounts. This information has been extracted from the Group's 2015 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 2015, 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 2015; and
- prepared on the basis of the accounting policies as stated in the Annual Report for the year ended 31 December 2015.

**3. Going concern**

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons:

The Group is an advanced gold and silver exploration and development company which commenced commercial production of gold in July 2013 upon the successful commissioning of the Lomada Project.

Following the decision to suspend mining operation at Lomada, Patagonia Gold's growth strategy includes the development of a heap leach operation at Cap-Oeste, subject to funding, along the same lines as Lomada and identifying additional resources to maintain a design capacity production of approximately 3,500 ounces per month. In addition, the Company will continue exploration activities to identify a mineable resource to be able to recommence operations at Lomada as well as to review

alternatives to treat the high grade ore from COSE and Cap-Oeste underground projects, which may include the construction of a small treatment facility at Cap-Oeste or the use of existing facilities in Province.

The Directors have prepared cash flow projections through to December 2017. These demonstrate that, subject to the availability of funding from existing and additional lines of credit and the raising of new equity capital, which will enable the Group to finance its capital expenditure requirements at Cap-Oeste, the on-going cash flow from Lomada, projected cash generation from Cap-Oeste, and anticipated VAT recovery, will enable the Group to meet all of its financial commitments, including scheduled loan repayments, as they fall due over a period of at least 12 months from the date of this report. The Directors are confident in the Group's ability to secure the requisite funding to finance development of the Cap-Oeste heap leach project.

Exploration and the development of the Group's other properties and mining interests will primarily be financed from a combination of revenue and net cash inflows generated from its operating activities at Lomada and Cap-Oeste (once the proposed heap leach project has been developed) and the raising of new equity capital and/or local debt financing in Argentina.

Taking into account the nature of the Group's current and planned activities, the future potential opportunities available to the Group, 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. Annual Report**

The Annual Report for the year ended 31 December 2015, Notice of the Annual General Meeting and Form of Proxy will shortly be available on the Company's website at [www.patagoniagold.com](http://www.patagoniagold.com) and are being posted to shareholders today.

The Annual General Meeting of the Company will be held on Tuesday, 10 May 2016 at 11.00 a.m. at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH.

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