



Patagonia Gold PLC : Subscription and Open Offer

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Patagonia Gold PLC

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

Subscription and Open Offer to raise, in aggregate, US\$10.0 million

Patagonia Gold Plc (AIM: PGD), the mining company with gold and silver projects in the southern Patagonia region of Argentina, Chile and Uruguay, is pleased to announce proposals to raise £6.94 million (gross) (approximately US\$10.00 million) by way of the issue of, in aggregate, 462,962,962 New Shares at a price of 1.5 pence per New Share.

The Circular, including the Notice of General Meeting, Form of Proxy and Application Form will be posted to Shareholders today. The General Meeting is scheduled for 11.30 a.m. on 10 May 2016 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH.

The definitions set out in the Circular apply in this announcement unless the context otherwise requires. The Circular and this announcement have been posted on the Company's website www.patagoniagold.com.

Christopher van Tienhoven, Chief Executive Officer, commented:

"We are pleased to have secured the funding for the development of Cap-Oeste heap leach project that will provide the Company with cash generation to further evaluate the development of Cap Oeste as well as fund its exploration activities in Argentina and Uruguay."

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1. Introduction

Patagonia Gold today announces proposals to raise £6.94 million (gross) (approximately US\$10.00 million) by way of the issue of, in aggregate, 462,962,962 New Shares at a price of 1.5 pence per New Share to provide general working capital and to finance commencement of the open pit mine and heap leach processing facility at Cap-Oeste (the "Project"). The Fundraising comprises a subscription of 232,537,870 Subscription Shares at the Issue Price raising £3.49 million (gross) (approximately US\$5.02 million) by Carlos J. Miguens, Non-Executive Chairman of the Company, through his controlled entity Cantomi, and an open offer of 230,425,092 Open Offer Shares at the Issue Price raising £3.46 million (gross) (approximately US\$4.98 million) available to all Qualifying Shareholders on the Record Date. The Issue Price of 1.5 pence represents a discount of approximately 8.0 per cent. to the closing mid-market price of 1.63 pence per Ordinary Share on 20 April 2016, the latest practicable date prior to the date of this announcement.

Pursuant to the Open Offer, Carlos J. Miguens has also undertaken to apply for all of his direct and Cantomi's Open Offer Entitlements as well as to apply, through Cantomi, for all the remaining Open Offer Shares under the Excess Application Facility, comprising in aggregate, 230,425,092 Open Offer Shares.

Although the Company has certain on-going Shareholder authorities taken at the annual general meeting of the Company held on 10 June 2015, these are not sufficient to implement the Fundraising and issue the Subscription Shares and the Open Offer Shares. Accordingly, the Company is seeking further Shareholder approval to grant the Directors authority to allot equity securities and to dis-apply statutory pre-emption rights in respect of an allotment of equity securities for cash in connection with the Subscription and the Open Offer, as well as renew the general on-going Shareholder authorities.

Carlos J. Miguens is deemed to be acting in concert with certain members of his extended family for the purposes of the City Code. The Concert Party comprises 12 members and includes Gonzalo Tanoira, the Company's Finance Director. Further details on the Concert Party are set out in paragraph 5.5 below.

Carlos J. Miguens is currently interested in (both directly and through his controlled entity, Cantomi) in aggregate, 213,785,822 Existing Ordinary Shares, representing approximately 20.17 per cent. of the Company's Existing Ordinary Shares and the Concert Party (including Carlos J. Miguens and Cantomi), is currently interested in, in aggregate, 342,316,226 Existing Ordinary Shares, representing approximately 32.30 per cent. of the Company's Existing Ordinary Shares. In addition, certain members of the Concert Party, being Carlos J. Miguens (together with Cantomi) and Gonzalo Tanoira (together with Capifox), have previously been granted the Options and Cinco Vientos has been granted the Warrants. In respect of the Fundraising, all members of the Concert Party, other than Carlos J. Miguens and Cantomi (as set out above), have undertaken not to take up their Open Offer Entitlements or make any application under the Excess Application Facility.

Accordingly, on completion of the Fundraising:

- assuming exercise of the Options held by Carlos J. Miguens (through Cantomi) only and no participation in the Open Offer by Qualifying Shareholders, Carlos J. Miguens' and Cantomi's interest in the Company would increase to, in aggregate, approximately 45.32 per cent. of the then enlarged share capital of the Company.
- assuming exercise of the Options and the Warrants and no participation in the Open Offer by Qualifying Shareholders, the Concert Party's interest in the Company would increase to, in aggregate, approximately 53.95 per cent. of the then enlarged share capital of the Company.

Therefore, the Board is also seeking the approval of the Independent Shareholders of the Rule 9 Waiver which the Panel has agreed with the Company to grant, subject to the passing of the Whitewash Resolution by the Independent Shareholders at the General Meeting, of any obligation on the part of the Concert Party and/or Carlos J. Miguens (together with Cantomi), to make a general offer to Shareholders under Rule 9 of the City Code which otherwise might arise upon the Concert Party's participation in the Subscription and the Open Offer as more fully set out in paragraph 5.4 below. Further details of the Rule 9 Waiver are set out in paragraph 6 below.

As part of the 2014 Fundraising, the future exercise of the Options and Warrants was approved as part of the whitewash resolution passed at that time. Accordingly, the Options and Warrants may be exercised by the relevant members of the Concert Party without triggering any mandatory bid obligations under the City Code.

The Subscription, the Open Offer and the Rule 9 Waiver are conditional upon, *inter alia*, Shareholder approval of the Resolutions, which will be sought at the forthcoming General Meeting to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.30 a.m. on 10 May 2016. You will find a Notice of General Meeting at the end of the Circular. A Form of Proxy will also be enclosed with the Circular.

The purpose of this announcement is to: (i) provide you with details of and background to the Fundraising and the Rule 9 Waiver and the reasons why the Directors believe that the Fundraising is in the best interests of the Company and its Shareholders as a whole and, also, why the Directors recommend that you vote in favour of the Share Authority Resolutions and the Independent Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution at the General Meeting; and (ii) seek your approval for the Resolutions to be proposed at the General Meeting.

The recommendations of the Directors and the Independent Directors, are set out in paragraph 13 below.

2. Current activities, trading and prospects

Patagonia Gold is a producing mining and exploration company with the primary objective of increasing shareholder value through the acquisition, exploration and development of gold and silver projects in the Deseado Massif region of Argentina.

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 covering approximately 190,000 hectares held by the Company's 90 per cent. owned Argentinian subsidiary, Patagonia Gold S.A. ("PGSA") and to 51 property interests covering approximately 156,000 hectares held by its wholly owned Argentinian subsidiary Minera Minamalu S.A. ("Minamalu").

Projects

Lomada de Leiva, Province of Santa Cruz, Argentina

The Lomada de Leiva gold mine ("Lomada") is located approximately 40 kilometres south-east of the town of Perito Moreno in the Province of Santa Cruz, and is within the Group's 44,000 hectares La Paloma property block which is approximately 120 kilometres to the north of the El Tranquilo property block. The Company completed a heap leach trial at Lomada in 2013 and in Q4 2013 successfully brought Lomada into full production. In January 2014 the Company decided to expand mining operations to 3,000 oz Au per month, with the objective of both reducing its cash costs and increasing the level of cash generated for continued exploration and development of the Company's other highly prospective properties, including Patagonia Gold's flagship Cap-Oeste gold and silver project ("Cap-Oeste").

Since the commencement of production at Lomada during the course of 2013 through to the end of December 2015, gross revenues of approximately US\$76.45 million have been generated from gold sales of approximately 61,572 oz, achieving an average price of US\$1,241 per oz. However, as announced on 26 February 2016, operations at Lomada are scheduled to be suspended at the end of May 2016 in accordance with the initial mine plan. It is proposed that the mining fleet and staff will be relocated directly to the Cap-Oeste Project with an anticipated required transitional period of approximately two months before the full fleet will be operational in Cap-Oeste.

The irrigation of the heap leach pad at Lomada will continue for a further 18 months, as the total irrigated volume per cubic metre of material is approximately 83 per cent. of the 2m³ per tonne required to achieve the full design leach parameters and the 72 per cent. global recovery targeted from the trial production. As expected, gold production will decrease going forward as no new material will be added to the pad.

Exploration work, which commenced in H2 2015 on the nearby Paloma blocks and nearby Breccia Sofia target and the along strike extension of the Lomada structure, will continue with the objective of replacing the currently depleted resources at Lomada in order to extend the life of mine, but to date there has been limited success in delineating a viable mineable resource. If a viable mineable resource is identified and subject to, *inter alia*, funding being in place, mining operations at the Lomada mine could be recommenced.

Cap-Oeste, Province of Santa Cruz, Argentina

The Project is located in the El Tranquilo property block approximately 65km southwest of the town of Bajo Caracoles in Santa Cruz. The Company's aim is to continue to expand the Project's resource base and to develop the Project towards production in 2016.

Since acquiring the property from Barrick in 2007, the Company has drilled 563 holes to May 2015 for a total of 106,148 metres. In this time the Company has produced 5 resource updates with the latest JORC compliant resource estimate completed in May 2015 by Cube Consulting Pty Limited. The current Indicated Resource contains 14.1Mt @ 1.96 g/t Au and 59.29 g/t Ag for a contained 887,000 oz Au and 26.9 million oz of Ag with Inferred Resource category material of 7.7Mt @ 1.46 g/t Au and 23.39 g/t Ag for a contained 360,000 oz Au and 5.8 million oz Ag.

Cap-Oeste Project

Upon completion of the PFS study for the development of an underground mine at Cap-Oeste, and despite a positive net cashflow, the Company decided during 2015 not to advance the project as designed, due to the significant cost involved in constructing the mine and given the short overall life of mine. However, the Company has completed a series of updated PFS level investigations on Cap-Oeste, looking at an initial open pit mine followed by the development of underground operations at both Cap-Oeste and Cap-Oeste South-East ("COSE") with the objective of reducing the overall capital requirements and focusing on smaller tonnage, higher grade mine options.

As announced on 26 February 2016, based on this additional work, the Company has selected a low cost initial open pit design with heap leach processing facilities with a 24 month mine life with the option to increase the project mine life to six years with the development of the two underground projects at Cap-Oeste and COSE.

All material to be mined is "free-milling" or cyanide treatable in nature, with recoveries of a non-agglomerated product expected to be in line with Lomada at 70 per cent. for Au while Ag is expected to be recovered in the order of 30 per cent. All internal cashflow modelling has been completed using more conservative recoveries of 60 per cent. for Au. The proposed optimised open pit design carried out on the existing JORC compliant Measured and Indicated Resources contains a total of 5.6Mt of waste and 1.55Mt @ 2.23 g/t Au and 80 g/t Ag for a AuEq (75:1) of 3.30 g/t.

Initial earthworks on the Project have now commenced and the Company is in the process of finalising all outstanding permits. Subject to, *inter alia*, the Fundraising, the total construction period is estimated to be approximately five months with initial production targeted for Q3 2016. The heap leach pad and plant will be constructed approximately 1.5km to the south west of the Cap-Oeste deposit. Work has now commenced with top soil removal and dam construction in conjunction with concrete foundation work for the workshop and plant areas identified as the key items to be completed before the commencement of winter. Geomembrane installation is expected to commence in May 2016 with a target 200,000 tonne of installed capacity the objective by end of May so that sheeting and stacking can be initiated.

The total cost of the Project, to be funded from the net proceeds of the Fundraising, existing cash resources and loan facilities available to the Company, is estimated to be approximately US\$13.5 million which includes the pad construction, fleet expansion, plant construction and US\$4.5 million of working capital during the construction and ramp up phase. The initial works are being funded from existing cash resources and loan facilities available to the Company and as at 15 April 2016, the Company had expended US\$2.1 million relating to the purchase of long-lead items and the initial earth works.

In order to reduce the Project's capex requirements and lead time to production, the existing Lomada mining fleet will be relocated to Cap-Oeste and existing infrastructure, including the gold room constructed for Lomada which is located at Cap-Oeste, along with existing office and camp buildings will be utilised.

The Project is anticipated to commence production during Q3 2016 and the forecast production during the 24 month expected mine life, is estimated to be approximately 82,000 oz AuEq. Operating costs for the Project are forecast to be within the range of US\$800 to US\$850 per oz, which includes the capital amortisation and working capital component of US\$4.5 million.

COSE, Province of Santa Cruz, Argentina

Two kilometres along strike from the Project is the smaller, but strategically vital, COSE. In 2015 several studies were completed by Kenmore Mine Consulting Pty Ltd, with the objective of developing a final mine design for the complete extraction of the COSE orebody in conjunction with an open pit and underground mine at Cap-Oeste.

The project life of the COSE mine is 30 months from start-up with a projected total of 43,278 oz Au and 2,246,630 oz Ag to be mined at a grade of 17.7 g/t Au and 918g/t Ag respectively. Processing options are being evaluated, with the potential to heap leach the ore directly in conjunction with Cap-Oeste open pit mine.

Although a permit for the decline construction has already been granted this has now lapsed and a submission will be resubmitted in due course to have this permit reactivated. A full mining permit will be applied for once the final pre-feasibility and updated Environmental Impact Statement (EIS) are completed. Subject to funding, development of COSE is scheduled to begin once full production from the Cap-Oeste open pit mine is achieved.

La Manchuria, Province of Santa Cruz, Argentina

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.

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 oz AuEq and Inferred Resources of 90,682 oz of AuEq. High-grade gold and silver mineralisation is open along strike to northeast and southeast.

The Company also has a number of other highly prospective exploration leases within the Deseado Massif.

Carreta Quemada and Chamizo, Uruguay

As announced on 2 February 2016, Patagonia Gold executed an option agreement with Trilogy Mining Corporation to earn up to 100 per cent. of the Trilogy's Carreta Quemada and Chamizo exploration gold projects in Uruguay. Pursuant to the terms of the agreement, the Company can acquire a 51 per cent. interest in these projects for providing US\$1.5 million to fund project expenditure, and up to an 80 per cent. interest for providing an additional US\$2.0 million of funding, at which point, subject to certain conditions, Trilogy may exercise a put option, pursuant to which the Company shall be required to purchase the remaining 20 per cent. interest in the projects.

Carreta Quemada, which covers an area of 388km², and Chamizo, which covers an area of 70km², are located on the San José Greenstone Belt within the early Proterozoic Piedra Alta Terrane, approximately 100km from Montevideo, the capital of Uruguay. To date there has been minimal exploration work undertaken across the projects and pursuant to the agreement, Patagonia Gold is proposing to finance, from its existing resources and future operations, a systematic exploration programme. Initial work has already commenced and will include mapping, detailed geochemical soil and rock chip and gradient array IP geophysical programmes to identify drill targets, with the aim of discovering a potential stand-alone gold resource within 18 months, subject to funding and the grant of tenure and land access.

Current trading and prospects

In its annual results for the year ended December 2015, released on 15 April 2016, the Company announced revenues from gold sales of US\$26.13 million (2014: US\$35.87) and a loss before tax of US\$18.45 million (2014: US\$6.38 million).

During 2015, production at Lomada was impacted 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 to US\$1,196 per ounce as a result of increased local costs, the fixed exchange rate and lack of machine availability and longer than necessary importation delays resulting in excessive down time in 2015.

Importation restrictions have, for the most part, now been lifted and with the Peso devaluation implemented by the new government, the Company expects the new regulations to positively impact its operations going forward and has already begun to see the positive impact of these changes on its operations. Operations at Lomada in 2016 have commenced considerably better, with scheduled production of 9,000 ounces for Q1 2016 having been met at a cash cost of US\$625 per ounce.

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 to the Cap-Oeste Project with an anticipated required transitional period of approximately two months before the full fleet will be operational at Cap-Oeste.

The Project, subject to completion on the Fundraising, is anticipated to commence production during Q3 2016 and the total gold equivalent production during the 24 month expected mine life for the Project, is estimated to be approximately 82,000 ounces.

3. Background to and reasons for the Fundraising

Together with exploration work at Lomada to extend the life of mine, the Company has been undertaking further work to determine the optimum strategy for developing Cap-Oeste in order to be able to continue to generate cash flow from production from its existing assets. This culminated in the announcement on 26 February 2016, in which the Company announced that it would be suspending mining operations at Lomada at the end of May 2016 and commencing the development of Cap-Oeste with the construction of a low cost open pit and heap leach processing facility, with Lomada's mining fleet and its existing staff to be utilised.

Construction at Cap-Oeste commenced during March 2016 in order to advance the Project before the commencement of winter, with existing cash resources and loan facilities available to the Group being utilised to fund the initial works. However, the total cost of the Project is estimated to be approximately US\$13.5 million, including, *inter alia*, the pad construction, fleet relocation and expansion, plant construction and a further US\$4.5 million of working capital will be required to fund the Group's operations during the construction and ramp up phase, which includes the cost of the staff being relocated from Lomada to Cap-Oeste. Accordingly, the Fundraising is required in order to be able to fund the construction and development of the Project.

Shareholders should note that in the event the Resolutions are not approved and the Fundraising does not complete,

the Company would need immediately to seek alternative sources of funds to be able to complete the Project. The Directors are unable to provide any assurance that alternative financing or re-financing could immediately be secured or, that if it were secured, it would be on terms as favourable to the Company or would not result in a substantial dilution of Shareholders' interests. If no funds were immediately available, the Company would need to cease construction and development of the Project, and whilst revenues, albeit decreasing, would continue to be generated in the medium term from the wind down of the heap leach operations at Lomada, the Directors believe that that would have a significant detrimental impact on the Company and Shareholder value.

4. Use of proceeds

The proceeds of the Fundraising, when added to the existing resources available to the Company, will be used to provide working capital to the Company as its operations at Lomada wind down and production at Cap-Oeste ramps up and to finance the construction and development of the Cap-Oeste Project.

The total cost of the Project is estimated to be approximately US\$13.5 million and as at 15 April 2016, US\$2.1 million has already been expensed relating to the purchase of long-lead items and the initial earth works. Accordingly, the aggregate cost of the Project, including:

- US\$9.0 million for the construction of the heap leach pad, earth works and expansion of the mine fleet; and
- US\$4.5 million of working capital required to fund the Group's operations during the construction and ramp up phase for the Project, which includes the cost of the staff being relocated from Lomada to Cap-Oeste,

will be met from the net proceeds of the Fundraising, existing cash resources and loan facilities available to the Group.

5. Information on the Fundraising

5.1. The Subscription

The Company has conditionally raised gross proceeds of £3.49 million (approximately US\$5.02 million) through the issue by the Company of 232,537,870 Subscription Shares at the Issue Price, through the Subscription with Cantomi pursuant to the terms of the Subscription Letter. The Issue Price of 1.5 pence represents a discount of approximately 8.0 per cent. to the closing mid-market price of 1.63 pence per Ordinary Share on 20 April 2016, the latest practicable date prior to the date of this announcement.

The Subscription is, *inter alia*, conditional upon the passing of the Resolutions at the General Meeting and Admission.

5.2. The Open Offer

In order to provide Shareholders with an opportunity to participate in the Fundraising, the Company is providing all Qualifying Shareholders with the opportunity to subscribe, at the Issue Price, for an aggregate of 230,425,092 Open Offer Shares, raising gross proceeds of £3.46 million (approximately US\$4.98 million). This allows Shareholders to participate on a pre-emptive basis whilst providing the Company with the flexibility to raise additional equity capital to further improve its financial position.

Subject to fulfilment of the conditions set out below, and in the Circular, the Open Offer provides Qualifying Shareholders with the opportunity to apply to acquire Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares as at the Record Date on the following basis:

5 Open Offer Shares for every 23 Existing Ordinary Shares

and in proportion for any other number of Existing Ordinary Shares then held.

Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating an Open Offer Entitlement and will be aggregated and made available to Qualifying Shareholders pursuant to the Excess Application Facility.

The Open Offer is conditional upon, *inter alia*, the passing of the Resolutions and Admission. If the Conditions are not satisfied, the Open Offer will not proceed and any Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest, as soon as practicable thereafter. The Open Offer Shares have not been placed subject to clawback nor have they been underwritten, but Carlos J. Miguens has undertaken to apply for all of his direct and Cantomi's Open Offer Entitlements, as well as to apply, through Cantomi, for all of the remaining Open Offer Shares under the Excess Application Facility.

Excess Applications

The Open Offer is structured to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares. Qualifying Shareholders may also make applications in excess of their *pro rata* initial entitlement up to an amount equal to the total number of Open Offer Shares available under the Open Offer less an amount equal to such Qualifying Shareholder's Open Offer Entitlement. To the extent that *pro rata* entitlements to Open Offer Shares are not subscribed by Qualifying Shareholders, such Open Offer Shares will be available to satisfy such excess applications. As noted above, Carlos J. Miguens has undertaken to apply, through Cantomi, for all of the Open Offer Shares available under the Excess Application Facility. Applications under the Excess Application Facility may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that any applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all.

Qualifying Shareholders should note that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should be aware that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market nor will they be placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

Overseas Shareholders

Certain Overseas Shareholders may not be permitted to subscribe for Open Offer Shares pursuant to the Open Offer and should refer to the Circular for details.

CREST instructions

Application has been made for the Open Offer Entitlements and Excess Open Offer Entitlements for Qualifying CREST Shareholders to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST on 25 April 2016. The Excess Open Offer Entitlements will also be enabled for settlement in CREST on 25 April 2016. Applications through the CREST system will only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Admission, settlement and dealings

Application will be made to the London Stock Exchange for the Open Offer Shares, together with the Subscription Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in respect of the New Shares will commence at 8.00 a.m. on 11 May 2016. Further information in respect of settlement and dealings in the Open Offer Shares will be set out in the Circular.

Upon Admission:

- the Subscription Shares will represent approximately 15.27 per cent. of the Enlarged Share Capital; and
- the Open Offer Shares will represent approximately 15.13 per cent. of the Enlarged Share Capital.

The New Shares will represent, in aggregate, approximately 43.68 per cent. of the Company's existing issued share capital and approximately 30.40 per cent. of the Enlarged Share Capital.

The New Shares will, upon Admission, rank *pari passu* with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. The New Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

5.3. City Code on Takeovers and Mergers

With effect from 30 September 2013, the Company became subject to the City Code, following the removal of the "residency test" for companies incorporated in the UK, the Channel Islands and the Isle of Man and whose shares were admitted to trading on AIM. The Company was not previously subject to the City Code as its place of central management and control was outside the UK, the Channel Islands or the Isle of Man.

The Company is, accordingly, subject to the requirements of Rule 9 of the City Code, which requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, will normally be required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with any persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of such a company but not more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him.

An offer under Rule 9 of the City Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Rule 9 of the City Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company and acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases his shareholding in that company.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or to frustrate the successful outcome of an offer for a company, subject to the City Code. Control means an interest, or interests, in shares carrying, in aggregate, 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control. The members of the Concert Party are deemed to be acting in concert for the purposes of the City Code.

5.4. Concert Party and participation by the Concert Party in the Subscription and Open Offer

The Company's largest Shareholder is the Company's Non-Executive Chairman, Carlos J. Miguens, who currently is interested in: (i) in aggregate, 213,785,822 Ordinary Shares, held both directly and through his controlled entity, Cantomi, representing approximately 20.17 per cent. of the Existing Ordinary Shares; and (ii) 24,500,000 of the Options.

Carlos J. Miguens and each person listed in this paragraph 5.4 are considered to be acting in concert for the purposes of the City Code. Included within the Concert Party is Gonzalo Tanoira, the Company's Finance Director, who is interested in: (i) in aggregate, 11,543,348 Ordinary Shares, held both directly and through his controlled entity, Capifox, representing approximately 1.09 per cent. of the Existing Ordinary Shares; and (ii) 3,719,000 of the Options.

The aggregate interests of all the members of the Concert Party comprises 342,316,226 Ordinary Shares representing approximately 32.30 per cent. of the Existing Ordinary Shares. In addition, members of the Concert Party hold 28,219,000 Options and 7,227,237 Warrants.

Carlos J. Miguens, through Cantomi, has subscribed for 232,537,870 Subscription Shares pursuant to the Subscription and has undertaken to apply for, in aggregate, 46,475,178 Open Offer Shares through his and Cantomi's Open Offer Entitlements as well as to apply, through Cantomi, for all the remaining Open Offer Shares under the Excess Application Facility, comprising in aggregate, 183,949,914 Open Offer Shares. All other members of the Concert Party, have undertaken not to take up their Open Offer Entitlements or make any application under the Excess Application Facility.

The table below sets out the proposed participation in the Subscription and the Open Offer, along with current shareholdings, Options and Warrants of the members of the Concert Party as well as their and the Concert Party's resulting interests in the Ordinary Shares of the Company on the basis that there is no participation in the Open Offer by Qualifying Shareholders and that all Open Offer Shares are acquired by Carlos J. Miguens (both directly and through Cantomi). Further information on each member of the Concert Party is provided in paragraph 5.5 below.

Name	No. of Ordinary Shares interested in as at the date of the Circular	% of Existing Ordinary Shares	No. of Subscription Shares proposed to be acquired	No. of Open Offer Shares proposed to be acquired	Total no. of Ordinary Shares interested in upon Admission following the completion of the Share Fundraising ⁽⁵⁾	No. of Ordinary Shares interested in upon Admission as a % of the Enlarged Share Capital ⁽⁵⁾	No. of Option/Warrants held by Concert Party members ⁽²⁾⁽³⁾	No. of Ordinary Shares interested in following Admission and exercise of the Options in full ⁽⁶⁾	No. of Ordinary Shares interested in following Admission and exercise of the Options in full as a % of the enlarged share capital
Cantomi Uruguay SA ⁽¹⁾	210,529,171	19.86%	232,537,870	229,717,125	672,784,166	44.18%	24,500,000 ⁽²⁾	697,284,166	44.74%
Carlos Miguens	3,256,651	0.31%	-	707,967	3,964,618	0.26%	-	3,964,618	0.25%
Carlos Miguens Jr.	291,654	0.03%	-	-	291,654	0.02%	-	291,654	0.02%
Maria Luisa Miguens	18,000,000	1.70%	-	-	18,000,000	1.18%	-	18,000,000	1.16%
Cinco Vientos Uruguay SA	45,897,392	4.33%	-	-	45,897,392	3.01%	7,227,237 ⁽³⁾	53,124,629	3.41%
Polinter SA	24,339,930	2.30%	-	-	24,339,930	1.60%	-	24,339,930	1.56%
Cristina Miguens	24,485,645	2.31%	-	-	24,485,645	1.61%	-	24,485,645	1.57%
Gonzalo Tanoira	4,832,191	0.46%	-	-	4,832,191	0.32%	-	4,832,191	0.31%
Capifox SA ⁽⁴⁾	6,711,157	0.63%	-	-	6,711,157	0.44%	3,719,000 ⁽²⁾	10,430,157	0.67%
Bárbara Tanoira	1,324,145	0.12%	-	-	1,324,145	0.09%	-	1,324,145	0.08%
Leonor Tanoira	1,324,145	0.12%	-	-	1,324,145	0.09%	-	1,324,145	0.08%
Santiago Tanoira	1,324,145	0.12%	-	-	1,324,145	0.09%	-	1,324,145	0.08%
Concert Party aggregate total	342,316,226	32.30%	232,537,870	230,425,092	805,279,188	52.88%	35,446,237	840,725,425	53.95%
Other Shareholders	717,639,201	67.70%	-	-	717,639,201	47.12%	-	717,639,201	46.05%
Total	1,059,955,427	100.00%	232,537,870	230,425,092	1,522,918,389	100.00%	35,446,237	1,558,364,626	100.00%

Notes:

- (1) Carlos J. Miguens is deemed to be beneficially interested in the Ordinary Shares held by Cantomi and accordingly, his current aggregate holding is 213,785,822 Ordinary Shares.
- (2) Options granted to Carlos J. Miguens (held through Cantomi) and Gonzalo Tanoira (held through Capifox).
- (3) Warrants issued pursuant to a warrant instrument dated 23 October 2012.
- (4) Gonzalo Tanoira is deemed to be beneficially interested in the Ordinary Shares held by Capifox and accordingly, his current aggregate holding is 11,543,348 Ordinary Shares.
- (5) Assuming no participation in the Open Offer by Qualifying Shareholders and that all Open Offer Shares are acquired by Carlos J. Miguens, as set out above. In the event that the Open Offer is fully subscribed and Cantomi receives no additional Open Offer Shares under the Excess Application Facility, the holding of Cantomi would be 488,834,252 Ordinary Shares and Carlos J. Miguens resulting aggregate holding would therefore be 492,798,870 Ordinary Shares representing approximately 32.36 per cent. of the Enlarged Share Capital and the Concert Party's aggregate holding would be 621,329,274 Ordinary Shares representing approximately 40.80 per cent. of the Enlarged Share Capital.
- (6) These figures reflect the assumptions set out in note (5) above, that there is no participation in the Open Offer by Qualifying Shareholders and on the basis that all the Options and Warrants held by members of the Concert Party are exercised in full and that no other outstanding options or warrants are exercised. In the event that only Carlos J. Miguens exercises his Options, held through Cantomi, he would be interested in, in aggregate, 701,248,784 Ordinary Shares representing approximately 45.32 per cent. of the then enlarged share capital.

5.5. Information on each member of the Concert Party

Carlos J. Miguens: Carlos is the Company's Non-Executive Chairman. Previously he was president of the flagship company of the family, Quilmes Brewery, until it was sold to Ambev in 2004. Carlos has been president and director of a number of companies, including S.A. San Miguel ("San Miguel"), a citrus producer in Argentina, Central Puerto, Minera El Desquite, and Sociedad Argentina de Energia SA ("Sadesa"), a power generator in Argentina.

Cantomi: Cantomi is a company incorporated under the laws of Uruguay on 2 May 2005, with registration number RUT 21 515861 0017. Cantomi is wholly owned by Carlos J. Miguens and CJM Trust, of which Carlos J. Miguens is the sole beneficiary. The directors of Cantomi are Carlos J. Miguens, Santiago J. Caino, Julio C. Castro and Andrea P. Torres and the registered address is 25 de Mayo 444 of. 401, Montevideo CP 11000.

Carlos Miguens Jr.: Carlos Miguens Jr is the son of Carlos J. Miguens. He is currently resident in the United Kingdom while doing his MBA at the London Business School.

Maria Luisa (Luisa) Miguens: Luisa is the sister of Carlos J. Miguens, and her occupation is an architect. Luisa is a shareholder of several companies in which her brothers and sister are also shareholders, including San Miguel, Sadesa and

Intelligent Energy Holdings Limited, a fuel cell producer listed on the London Stock Exchange.

Cinco Vientos: Cinco Vientos is a holding company incorporated under the laws of Uruguay on 10 August 2000, with registration number RUT 21 432934 0010. Cinco Vientos is wholly beneficially owned by Maria Luisa Miguens and her sons and daughters, Leonor Tanoira, Barbara Tanoira, Santiago Tanoira, Gonzalo Tanoira and Javier Tanoira. The directors of Cinco Vientos are Maria Luisa Miguens, Santiago J. Caino, Julio C. Castro and Andrea P. Torres and the registered address is 25 de Mayo 444 of. 401, Montevideo CP 11000.

Polinter SA: Polinter is a holding company incorporated under the laws of Uruguay on 13 June 2000, with registration number RUT 21 429442 0013. Polinter is wholly owned by Diego Miguens and DMB Trust, of which Diego is the sole beneficiary. The directors of Polinter are Diego, Santiago J. Caino, Julio C. Castro and Andrea P. Torres and the registered address is 25 de Mayo 444 of. 401, Montevideo CP 11000. Diego is the brother of Carlos J. Miguens, Mrs. Maria Luisa Miguens and Mrs. Cristina Miguens. Diego is a polo horse breeder and agribusiness investor. He holds several investments with his brother Carlos and his two sisters and is a director of Sadesa.

Cristina Miguens: Christina is the sister of Carlos J. Miguens, Mrs. Maria Luisa Miguens and Mr. Diego Miguens and her occupation is an industrial engineer. Cristina is the owner and editor in chief of Sophia, a womens' magazine in Argentina. Cristina is an investor in several companies with her brothers and sister. However, she holds no directorships in any of the family's businesses.

Gonzalo Tanoira: Gonzalo is Finance Director of the Company and is the son of Mrs. Maria Luisa Miguens. Gonzalo is a director and member of the audit committee of SA San Miguel and member of the board of directors of a number of other companies. Previously Gonzalo worked for Bear Stearns & Co. (New York) in investment banking division for Latin America and was an associate at Booz Allen & Hamilton in its Buenos Aires office. He was also general manager of MB Holding, the private equity group that managed the Argentine interests of the Miguens family. He is a shareholder in all of the companies where the rest of the family has invested. He holds an MBA from the Wharton School of the University of Pennsylvania.

Capifox: Capifox is a holding company incorporated under the laws of Uruguay on 3 May 2005, with registration number RUT 21 515024 0016. Capifox is wholly owned by Gonzalo Tanoira and his mother, Mrs. Maria Luisa Miguens. The directors of Capifox are Gonzalo Tanoira, Santiago J. Caino, Julio C. Castro and Andrea P. Torres and the registered address is 25 de Mayo 444 of. 401, Montevideo CP 11000.

Barbara Tanoira: Barbara is the sister of Gonzalo Tanoira, whose occupation is a graphic designer. Barbara is married and the mother of five daughters. She works in graphic designing and takes care of her house and family. She is a shareholder in some of the companies where the rest of the family has invested.

Leonor Tanoira: Leonor is the sister of Gonzalo Tanoira, whose occupation is a business administrator. Leonor is married to a professional polo player and spends most of her time travelling around the world accompanying her husband while he plays polo. She is a shareholder in some of the companies where the rest of the family has invested. She was the founder and general manager of Bully SA, a cashmere importer. **Santiago Tanoira:** Santiago is the brother of Gonzalo Tanoira and is a polo player. Santiago is single and spends most of his time playing polo internationally. He is a shareholder in some of the companies where the rest of the family has invested.

5.6. Related Party Transaction

In addition to the participation of Carlos J. Miguens in the Subscription and the Open Offer, as set out in paragraph 5.4 above, certain Directors also intend to participate in the Open Offer as set out in the table below:

<i>Name of Director</i>	<i>Number of Ordinary Shares interested in as at the date of the Circular</i>	<i>Number of Open Offer Shares proposed to be acquired⁽¹⁾</i>	<i>Total number of Ordinary Shares interested in upon Admission⁽¹⁾</i>	<i>Number of Ordinary Shares interested in upon Admission as a percentage of the Enlarged Share Capital⁽¹⁾</i>
Christopher van Tienhoven	3,000	133,333	136,333	0.009%
Glenn Featherby	3,219,063	1,666,666	4,885,729	0.32%

Note:

(1) Assumes no scaling back under the Excess Application Facility.

The participation in the Fundraising by Carlos J. Miguens (directly and through his controlled entity Cantomi), Christopher van Tienhoven and Glenn Featherby will be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies, as (i) Carlos J. Miguens, Christopher van Tienhoven and Glenn Featherby are Directors of the Company; and (ii) the aggregate subscription by such persons pursuant to the Fundraising for up to 462,962,962 New Shares will exceed 5 per cent. in certain of the class tests (as that term is defined in the AIM Rules for Companies).

Accordingly, the Directors (excluding Messrs Miguens, van Tienhoven and Featherby) confirm that, having consulted with the Company's nominated adviser, Strand Hanson, they consider the terms of the participation by Messrs Miguens, van Tienhoven and Featherby in the Fundraising to be fair and reasonable insofar as Shareholders are concerned, and in the best interests of Shareholders and of the Company as a whole.

6. Rule 9 Waiver and Whitewash Resolution

Following consultation by the Company, the Panel has confirmed the shareholdings of Carlos J. Miguens and certain members of his extended family, including Gonzalo Tanoira, constitute a 'concert party' under the City Code. Details of the individual shareholders who qualify as the Concert Party and further information on the members of the Concert Party are set out in paragraphs 5.4 and 5.5 of this announcement.

Carlos J. Miguens' participation in the Subscription and the Open Offer, directly and through Cantomi, will, on exercise of the Options held by him through Cantomi, increase his aggregate percentage shareholding to over 30 per cent. of the Company's issued share capital and will also result in an increase in the Concert Party's aggregate percentage and as such prompt a mandatory offer under Rule 9 of the City Code.

Under Note 1 of the Notes on the Dispensations from Rule 9 of the City Code, the Panel may waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code if, *inter alia*, the make an offer, and any person acting in concert with him, pass an ordinary resolution on a poll at a general meeting or by way of a written resolution approving such a waiver.

Accordingly, the Company proposes that the Independent Shareholders waive the obligation on Carlos J. Miguens and the Concert Party to make a mandatory offer under Rule 9 of the City Code, which would otherwise arise as a result of Carlos J. Miguens' participation in the Subscription and the Open Offer.

The Panel has agreed, subject to the passing of the Whitewash Resolution by the Independent Shareholders on a poll at the General Meeting, to waive the requirement under Rule 9 of the City Code for the Concert Party, collectively and/or individually, to make a mandatory offer for the Ordinary Shares not already owned by it or persons connected with it as would otherwise arise on Carlos J. Miguens' participation in the Subscription and the Open Offer.

The Panel has agreed to the Rule 9 Waiver on the basis that the Independent Directors, who have been so advised by the Strand Hanson, consider the terms of the Rule 9 Waiver to be fair and reasonable and in the best interest of Independent Shareholders and the Company as a whole.

In addition, Carlos J. Miguens and Gonzalo Tanoira (through Cantomi and Capifox respectively) both hold the Options, and Cinco Vientos holds the Warrants, details of which are also set out in paragraph 5.4 above. As part of the 2014 Fundraising, the Company previously obtained the approval of the independent Shareholders to a waiver of the obligation on the Concert Party to make a mandatory offer under Rule 9 of the City Code in respect of the exercise of any of the Options or Warrants held by the Concert Party. Accordingly, the Concert Party would not be obliged to make a mandatory offer for the remaining Ordinary Shares under Rule 9 of the City Code in the event of an acquisition of an interest in shares arising from the exercise by Carlos J. Miguens or Gonzalo Tanoira, as members of the Concert Party, of any of the Options, and the exercise by Cinco Vientos, as a member of the Concert Party, of the Warrants.

7. Potential voting rights of the Concert Party

7.1. The Concert Party

If the Resolutions are passed at the General Meeting and Admission is effective, on the assumption that:

- 7.1.1. the Options and Warrants are exercised in full; and
- 7.1.2. no other options or convertibles are awarded or exercised and no other shares are issued, the Company's issued share capital would increase to 1,558,364,626 Ordinary Shares.

On the basis of such assumptions, in the event of no participation in the Open Offer by Qualifying Shareholders and that all Open Offer Shares are acquired by Carlos J. Miguens (both directly and through Cantomi), the Concert Party's maximum interest in Ordinary Shares would be, in aggregate, 840,725,425 Ordinary Shares and the Concert Party's aggregate holding would constitute approximately 53.95 per cent. of the then voting rights in the Company (as set out in the table and accompanying notes in paragraph 5.4 above).

In the event that Cantomi received no Open Offer Shares under the Excess Application Facility and on the basis of the above assumptions, the Concert Party's maximum interest in Ordinary Shares would be, in aggregate, 656,775,511 Ordinary Shares and the Concert Party's aggregate holding would constitute approximately 42.15 per cent. of the then voting rights in the Company.

In the event that the Ordinary Shares which the Concert Party would then be interested in together carry 30 per cent. or more of the voting rights in the Company and the Concert Party do not hold shares carrying more than 50 per cent. of the voting rights in the Company, no member of the Concert Party could acquire an interest in any further shares carrying voting rights in the Company (other than pursuant to the exercise of the Options and Warrants) without being subject to the provisions of Rule 9 of the City Code.

In the event that the Ordinary Shares which the Concert Party would then be interested in together carry 50 per cent. or more of the voting rights in the Company, it would be free (subject as set out below and in Note 4 to Rule 9.1 of the City Code) to increase its aggregate holding of Ordinary Shares without any obligation to make a general offer for the Company under the provisions of Rule 9 of the City Code.

7.2. Carlos J. Miguens and Cantomi

If the Resolutions are passed at the General Meeting and Admission is effective, on the assumption that:

- only the Options held by Carlos J. Miguens through Cantomi are exercised in full; and
- no other options, warrants or convertibles are awarded or exercised and no other shares are issued, the Company's issued share capital would increase to 1,547,418,389 Ordinary Shares.

On the basis of such assumptions, in the event of no participation in the Open Offer by Qualifying Shareholders and that all Open Offer Shares are acquired by Carlos J. Miguens (both directly and through Cantomi), Carlos J. Miguens' and Cantomi's maximum interest in Ordinary Shares would be, in aggregate, 701,248,784 Ordinary Shares and his aggregate holding would constitute approximately 45.32 per cent. of the then voting rights in the Company (as set out in the table and accompanying notes in paragraph 5.4 above).

In the event that Cantomi received no Open Offer Shares under the Excess Application Facility and on the basis of the above assumptions, Carlos J. Miguens maximum interest in Ordinary Shares (both directly and through Cantomi) would be, in aggregate,

517,298,870 Ordinary Shares and his aggregate holding would constitute approximately 33.43 per cent. of the then voting rights in the Company.

In the event that the Ordinary Shares which Carlos J. Miguens (both directly and through Cantomi) would then be interested in together carry 30 per cent. or more of the voting rights but less than 50 per cent. of the voting rights in the Company, neither Carlos J. Miguens nor Cantomi may acquire an interest in any further shares carrying voting rights in the Company (other than pursuant to the exercise of the Options) without being subject to the provisions of Rule 9 of the City Code.

8. Independent advice

Strand Hanson has provided advice to the Independent Directors in relation to the Rule 9 Waiver in accordance with the requirements of paragraph 4(a) of Appendix 1 to the City Code.

This advice was provided by Strand Hanson to only the Independent Directors and, in providing such advice, Strand Hanson has taken into account the Independent Directors' commercial assessments as well as, but not limited to, the confirmations of the future intentions of the Concert Party as described in paragraph 9 below.

The Independent Directors, who have been so advised by Strand Hanson, consider that the approval of the waiver by the Panel of any requirement for Carlos J. Miguens or for the members of the Concert Party to make a general offer to shareholders under Rule 9 of the City Code, is fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole.

9. Intentions of the Concert Party

The Concert Party has confirmed that it is not proposing, following any increase in its shareholding as a result of the Fundraising and the exercise of any of the Options or Warrants, to seek any change in the general nature of the Company's business, and has confirmed that each individual member of the Concert Party does not intend to take any action (whether acting in its capacity as a Director or a Shareholder) to alter the management of the Company, the continued employment of its employees (including any material change in conditions of employment), employer contributions into the Company's pension schemes, the location of the Company's places of business, and the deployment of the Company's fixed assets.

The Directors intend to continue to conduct the business of the Company in the same manner as it is currently conducted and there are no plans to introduce any material change to the business of the Company.

The members of the Concert Party have no intention to cause the Company to cease to maintain any of the trading facilities in respect of the Ordinary Shares.

10. Relationship Agreement

10.1. Notwithstanding the provisions of paragraph 9 above, given that Carlos J. Miguens' participation in the Subscription and the Open Offer, directly and through Cantomi, will increase his aggregate percentage shareholding to over 30 per cent. and will also result in an increase in the Concert Party's aggregate percentage to over 30 per cent. of the Enlarged Share Capital, Carlos J. Miguens and Cantomi have agreed to enter into the Relationship Agreement.

10.2. The principal purpose of the Relationship Agreement is to ensure:

- 10.2.1. that the Company is able to comply with the AIM Rules and will be carrying on an independent business as its main activity;
- 10.2.2. that all transactions and arrangements between the Group, Carlos J. Miguens, Cantomi and their respective associates are at arm's length and on normal commercial terms;
- 10.2.3. that Carlos J. Miguens, Cantomi and each of their associates will not take any action that would have the effect of preventing the Company from complying with its obligations under the AIM Rules, or propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the AIM Rules or the Disclosure and Transparency Rules; and
- 10.2.4. that the Board will manage the Company in the interests of the Shareholders as a whole.

10.3. The Relationship Agreement will continue for so long as (a) the Ordinary Shares remain admitted to trading on AIM and (b) Carlos J. Miguens (both directly and through Cantomi) holds, in aggregate, at least 20 per cent. of the Company's issued ordinary share capital.

10.4. The Independent Directors believe that the terms of the Relationship Agreement will enable the Company to comply with the AIM Rules and allow the Group to carry on its business independently of Carlos J. Miguens and the Concert Party.

11. General Meeting

A General Meeting of the Company, notice of which will be set out at the end of the Circular, is to be held at 11.30 a.m. on 10 May 2016 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at which the Resolutions will be proposed. Please note that the summary and explanation set out below is not the full text of the Resolutions and Shareholders should review the full text of the Resolutions before returning their Forms of Proxy.

The Resolutions can be summarised as follows:

- 11.1. Resolution 1, which will be proposed as an ordinary resolution, seeks the approval of the Independent Shareholders to waive the obligation on Carlos J. Miguens and the Concert Party which would otherwise arise under Rule 9 of the City Code as a result of the participation of Carlos J. Miguens in the Subscription and the Open Offer.
- 11.2. Resolution 2, which will be proposed as an ordinary resolution, is to authorise the Directors to allot relevant securities up to an aggregate nominal value of: (i) £4,629,629.62 in connection with the Subscription and the Open Offer; and (ii) otherwise

for the allotment of equity securities up to an aggregate nominal amount of £5,076,394.63;

- 11.3. Resolution 3, which will be proposed as a special resolution and which is subject to the passing of Resolution 2, disapplies statutory pre-emption rights, provided that such authority shall be limited to, *inter alia*, the allotment of equity securities in connection with the Subscription and otherwise for the allotment of equity securities up to an aggregate nominal amount of £1,522,918.39.

Resolution 2 authorises the allotment of such number of Ordinary Shares as are necessary for the Subscription and the Open Offer, as well as providing the Directors with a standing authority to allot equity securities up to an aggregate nominal value of £5,076,394.63 (being 33.3 per cent. of the Enlarged Share Capital). Similarly, Resolution 3 authorises the disapplication of statutory pre-emption rights in respect of such number of Ordinary Shares as are necessary for the Subscription, as well as providing the Directors with a standing authority to allot equity securities otherwise than in accordance with statutory pre-emption rights up to an aggregate nominal value of £1,522,918.39 (being 10 per cent. of the Enlarged Share Capital). It is considered prudent to maintain the flexibility that such authorities provide and therefore to refresh the authorities that were approved at the Company's last annual general meeting.

Only the Independent Shareholders will be entitled to vote on Resolution 1 which will be conducted on a poll at the General Meeting.

12. Importance of vote

The Fundraising is required in order to be able to fund the construction and development of the Cap-Oeste Project. Shareholders should note that in the event the Resolutions are not approved and the Fundraising does not complete, the Company would need immediately to seek alternative sources of funds to be able to complete the Project. The Directors are unable to provide any assurance that alternative financing or re-financing could immediately be secured or, that if it were secured, it would be on terms as favourable to the Company or would not result in a substantial dilution of Shareholders' interests. If no funds were immediately available, the Company would need to cease construction and development of the Project, and whilst revenues, albeit decreasing, would continue to be generated in the medium term from the wind down of the heap leach operations at Lomada, the Director's believe that that would have a significant detrimental impact on the Company and Shareholder value.

13. Recommendations

- 13.1. The Independent Directors, who have been so advised by the Company's financial adviser, Strand Hanson, consider the terms of the Rule 9 Waiver to be fair and reasonable and in the best interests of Independent Shareholders and of the Company as a whole. Accordingly, the Independent Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution (Resolution 1) at the General Meeting as they intend to do in respect of their entire holdings which amount to interests in 3,771,050 Ordinary Shares, representing approximately 0.36 per cent. of the Existing Ordinary Shares.
- 13.2. The Directors consider that the Fundraising is in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the Share Authority Resolutions (Resolutions 2 and 3) at the General Meeting as they intend to do in respect of their entire holdings which amount to interests in 229,100,220 Ordinary Shares, representing approximately 21.61 per cent. of Existing Ordinary Shares.

Voting on the Whitewash Resolution will be by means of a poll at the General Meeting of Independent Shareholders.

Members of the Concert Party will not vote on the Whitewash Resolution at the General Meeting.

APPENDIX I

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2016
Record Date for entitlements under the Open Offer	6.00 p.m. on 20 April
Announcement of the Fundraising	7.00 a.m. on 22 April
Existing Ordinary Shares marked 'ex-entitlement' by the London Stock Exchange	8.00 a.m. on 22 April
Publication and posting of the Circular, the Form of Proxy and, to Qualifying Non-Crest Shareholders only, the Application Form	22 April
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	8.00 a.m. on 25 April
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 3 May
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 4 May
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 5 May
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.30 a.m. on 6 May

Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 9 May
General Meeting	11.30 a.m. on 10 May
Results of the General Meeting and the Fundraising expected to be announced	10 May
Admission and dealings in the Subscription Shares and Open Offer Shares expected to commence on AIM	8.00 a.m. on 11 May
Expected date for CREST accounts to be credited with Subscription Shares and Open Offer Shares in uncertificated form	11 May
Expected date for dispatch of share certificates in respect of Subscription Shares and Open Offer Shares to be issued in certificated form	by 18 May

Notes:

Each of the times and dates above are subject to change. References to time in this announcement, Circular, the Application Form and the Form of Proxy are to London time unless otherwise stated. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to shareholders by announcement through a Regulatory Information Service.

APPENDIX I

DEFINITIONS

The following definitions apply throughout this announcement, unless the context otherwise requires:

"Admission"	the admission of the New Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules, expected to be on or around 11 May 2016;
"Ag"	the chemical symbol for silver;
"AIM"	the AIM market of the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
"AIM Rules for Companies"	the AIM Rules for Companies (including the guidance notes) published by the London Stock Exchange from time to time;
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time;
"Application Form"	the personalised application form which will accompany the Circular (where appropriate) on which Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders) may apply for Open Offer Shares under the Open Offer;
"Au"	the chemical symbol for gold;
"AuEq"	gold equivalent;
"Cantomi"	Cantomi Uruguay SA, a member of the Concert Party being a company controlled by Carlos J. Miguens;
"Capifox"	Capifox SA, a member of the Concert Party;
"certificated form"	not in an uncertificated form;
"Cinco Vientos"	Cinco Vientos Uruguay SA, a member of the Concert Party;
"Circular"	the circular to be sent to Shareholders dated 22 April 2016, setting out details of the Subscription, the Open Offer and the Rule 9 Waiver, and containing the Notice of General Meeting;
"City Code"	the City Code on Takeovers and Mergers;
"Company" or "Patagonia Gold"	Patagonia Gold Plc;
"Concert Party"	the members of the concert party, further details of which appear in paragraph 5.5 of this announcement;
"Concert Party Directors"	Carlos J. Miguens and Gonzalo Tanoira;
"Conditions"	the conditions, which are set out in full in the Circular, which have to be satisfied to enable the Subscription and the Open Offer to be completed in accordance with their terms and which include, <i>inter alia</i> , the passing of the Resolutions;
"CREST"	the electronic systems for the holding and transfer of shares in dematerialised form operated by Euroclear UK & Ireland Limited;
"CREST Manual"	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual,

	the CREST Central Counterpart Service Manual, the CREST Rules, the CREST Courier and Sorting Services Operations Manual, the Daily Timetable, the CREST Application Procedures and the CREST Glossary of Terms (as updated in November 2001);
"CREST member"	a person who has been admitted to CREST as a system member (as defined in the CREST Manual);
"CREST member account ID"	the identification code or number attached to a member account in CREST;
"CREST participant"	a person who is, in relation to CREST, a system- participant (as defined in the CREST Regulations);
"CREST participant ID"	shall have the meaning given in the CREST Manual issued by Euroclear;
"CREST payment"	shall have the meaning given in the CREST manual issued by Euroclear;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
"Directors" or "the Board"	the directors of the Company from time to time;
"Enlarged Share Capital"	the issued ordinary share capital of the Company as enlarged by the issue of the New Shares;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Excess Application Facility"	the arrangement pursuant to which Qualifying Shareholders may apply for any number of Open Offer Shares in excess of their Open Offer Entitlement provided that they have agreed to take up their Open Offer Entitlement in full;
"Excess CREST Open Offer Entitlements"	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to his/her Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him/her taking up his/her Open Offer Entitlement in full;
"Excess Open Offer Entitlement"	in respect of each Qualifying Shareholder, the entitlement (in addition to his/her Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him/her taking up his/her Open Offer Entitlement in full;
"Existing Ordinary Shares"	the 1,059,955,427 Ordinary Shares in issue at the date of this announcement;
"FCA"	the Financial Conduct Authority of the United Kingdom;
"Form of Proxy"	the form of proxy for use in relation to the General Meeting which will accompany the Circular;
"FSMA"	the UK Financial Services and Markets Act 2000 (as amended from time to time);
"Fundraising"	together, the Subscription and the Open Offer;
"g/t"	grammes per tonne;
"General Meeting"	the general meeting of the Company to be held at 11.30 a.m., on 10 May 2016 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH;
"Group"	the group of which the Company and its subsidiary undertakings are members;
"Independent Directors"	the Directors other than the Concert Party Directors;
"Independent Shareholders"	means the Shareholders, other than the members of the Concert Party;
"Indicated Resource"	that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation;
"Inferred Resource"	that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity;
"Issue Price"	1.5 pence per New Share;

"JORC"	the Joint Ore Reserves Committee: The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;
"London Stock Exchange"	London Stock Exchange plc;
"m ³ "	Cubic metres
"Measured Resource"	that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation where data and samples are gathered;
"member account ID"	the identification code or number attached to any member account in CREST;
"Mineral Resource"	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling;
"Mt"	million tonnes;
"New Shares"	together, the Subscription Shares and the Open Offer Shares;
"Notice of General Meeting"	the notice convening the General Meeting which will be set out at the end of the Circular;
"Open Offer"	the conditional invitation made by the Company to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in the Circular and, in the case of Qualifying Non-CREST Shareholders, in the Application Form;
"Open Offer Entitlement"	the pro rata entitlement of a Qualifying Shareholder, pursuant to the Open Offer, to apply to subscribe for 5 Open Offer Share for every 23 Existing Ordinary Shares registered in their name as at the Record Date;
"Open Offer Shares"	230,425,092 new Ordinary Shares to be issued by the Company pursuant to the Open Offer subject, <i>inter alia</i> , to the passing of the Resolutions;
"Options"	the existing share options held by the Concert Party Directors over, in aggregate, 28,219,000 Ordinary Shares;
"Ordinary Shares"	the ordinary shares of 1 pence each in the capital of the Company;
"Overseas Shareholders"	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the UK;
"oz"	ounces;
"Panel"	the Panel on Takeovers and Mergers;
"PFS"	pre-feasibility study;
"Project"	the open pit mine and heap-leach facility at Cap-Oeste;
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Record Date, are in uncertificated form;
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Record Date, are in certificated form;
"Qualifying Shareholders"	holders of Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date with the exclusion (subject to exemptions) of persons with a registered address or located or resident in a Restricted Jurisdiction;
"Record Date"	the record date for the Open Offer, being 6.00 p.m. on 20 April 2016;
"Registrars", "Receiving Agent" or "Computershare"	Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6AH;

"Relationship Agreement"	the relationship agreement between Carlos J. Miguens, Cantomi, Strand Hanson and the Company dated 21 April 2016;
"Resolutions"	the resolutions proposed to be passed at the General Meeting as numbered 1 to 3 in the Notice of General Meeting;
"Restricted Jurisdiction"	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company if information or documentation concerning the proposals is sent or made available to Shareholders in that jurisdiction including, without limitation, the United States, Canada, Australia, the Republic of South Africa and Japan;
"Rule 9 Waiver"	means the waiver by the Panel of any obligation which would otherwise be imposed on the Concert Party, either individually or collectively, under Rule 9 of the City Code, as a result of the Concert Party's participation in the Subscription and the Open Offer;
"Share Authority Resolutions"	means the resolutions to grant the Directors authority to allot the Subscription Shares and the Open Offer Shares and the related disapplication of statutory pre-emption rights and the renewal of the general on-going authorities taken at the previous annual general meeting of the Company, to be proposed at the General Meeting and set out in the Notice of General Meeting as the resolutions numbered 2 and 3;
"Shareholder"	a holder of Ordinary Shares;
"Strand Hanson"	Strand Hanson Limited, the Company's nominated and financial adviser;
"Subscription"	the conditional subscription for the Subscription Shares pursuant to the Subscription Letter;
"Subscription Letter"	the letter of subscription entered into between the Company and Cantomi in connection with the Subscription;
"Subscription Shares"	232,537,870 new Ordinary Shares to be conditionally placed for cash pursuant to the Subscription Letter and whose allotment and issue is conditional, <i>inter alia</i> , on the passing of the Resolutions at the General Meeting;
"Trilogy"	Trilogy Mining Corporation
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"uncertificated form"	recorded on the relevant register or other record of the share or other security confirmed as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by way of CREST;
"United States"	the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
"Warrants"	the existing warrants issued to Cinco Vientos, a member of the Concert Party, over, in aggregate, 7,227,237 Ordinary Shares;
"Whitewash Resolution"	the ordinary resolution of the Independent Shareholders concerning the waiver of obligations under Rule 9 of the City Code to be proposed at the General Meeting in connection with the Concert Party's participation in the Subscription and the Open Offer and set out in the Notice of General Meeting as the resolution numbered 1; and
"2014 Fundraising"	the subscription and open offer of, in aggregate, 182,688,427 Ordinary Shares at 4.5 pence per share which completed on 9 December 2014.

In this announcement:

- all references to "pounds", "£", "pence" or "p" are to the lawful currency of the United Kingdom;
- words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender;
- all references to legislation are to English legislation unless the contrary is indicated, and any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension thereof; and
- All times referred to are London time unless otherwise stated.

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