



Subscription and Open Offer

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Patagonia Gold PLC

21 November 2017

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

Subscription and Open Offer to raise, in aggregate, approximately US\$10.24 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 £7.76 million (gross) (approximately US\$10.24 million) by way of the issue of, in aggregate, 775,725,279 New Shares at a price of 1 pence per New Share for the purposes of funding the exercise of the Calcatreu Option, which would allow the Company to purchase the Calcatreu gold-silver project located in the Rio Negro province of Argentina.

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 11.00 a.m. on 7 December 2017 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 conditionally secured the funding for the exercise of the Calcatreu Option which represents an excellent opportunity to acquire a high grade, > 1 million ounce deposit with significant exploration upside potential in a low sulphidation mineralized system within a large and under explored exploration package of tenements."

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1. Introduction

Patagonia Gold today announces proposals to raise approximately £7.76 million (gross) (approximately US\$10.24 million) by way of the issue of, in aggregate, 775,725,279 New Shares at a price of 1 pence per New Share for the purposes of funding the exercise of

the Calcatreu Option, which would allow the Company to purchase the Calcatreu gold-silver project located in the Rio Negro province of Argentina.

The Fundraising comprises a Subscription of 378,787,878 Subscription Shares at the Issue Price raising £3.79 million (gross) (approximately US\$5 million) by Carlos J. Miguens, Non-Executive Chairman of the Company, through his controlled entity Cantomi, and an Open Offer of 396,937,401 Open Offer Shares at the Issue Price raising £3.97 million (gross) (approximately US\$5.24 million) available to all Qualifying Shareholders on the Record Date. The Issue Price of 1 pence represents a discount of approximately 7.4 per cent. to the closing mid-market price of 1.08 pence per Ordinary Share on 20 November 2017, the latest practicable date prior to the date of this announcement.

Although the Company has certain on-going Shareholder authorities taken at the annual general meeting of the Company held on 27 April 2017, these are not sufficient to implement the Fundraising and issue of 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 disapply 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, one of the Company's Non-Executive Directors. Further details on the Concert Party are set out in paragraph 5.5 below.

Carlos J. Miguens, through his controlled entity, Cantomi, has subscribed for 378,787,878 Subscription Shares and has also undertaken to apply for all of his direct and Cantomi's Open Offer Entitlements. In addition, Maria Luisa Miguens, Cinco Vientos and Polinter SA, who are all members of the Concert Party, have undertaken to take up their Open Offer Entitlements in full. Mr Miguens has also undertaken to apply, through Cantomi, for all the remaining Open Offer Shares under the Excess Application Facility, other than the Open Offer Shares which he directly, Maria Luisa Miguens, Cinco Vientos and Polinter SA have each undertaken to take up in respect of their own pro-rata entitlements under the Open Offer. Accordingly, Mr Miguens has undertaken to apply for, in aggregate, 374,878,071 Open Offer Shares, directly and through Cantomi. In respect of the Fundraising, 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.

Carlos J. Miguens is currently interested in (both directly and through his controlled entity, Cantomi), in aggregate, 592,240,677 Existing Ordinary Shares, representing approximately 37.30 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, 726,630,466 Existing Ordinary Shares, representing approximately 45.76 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.

Accordingly, on completion of the Fundraising:

- assuming exercise of the Options held by Carlos J. Miguens (held through Cantomi) only and no participation in the Open Offer by Qualifying Shareholders, other than as set out above, Carlos J. Miguens' and Cantomi's interest in the Company would increase to, in aggregate, approximately 57.39 per cent. of the then Enlarged Share Capital.
- assuming exercise of the Options and no participation in the Open Offer by Qualifying Shareholders, the Concert Party's interest in the Company would increase to, in aggregate, approximately 64.00 per cent. of the then Enlarged Share Capital.

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 was approved as part of the whitewash resolution passed at that time. Accordingly, the Options 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 11.00 a.m. on 7 December 2017. You will find a Notice of General Meeting at the end of the Circular, which is expected to be sent to shareholders today. A Form of Proxy will also be enclosed with the Circular.

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 2016, 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.

The irrigation of the heap leach pad at Lomada is continuing with a daily production of approximately 15 oz still being achieved, exceeding expectations, with production for 2017 expected to be 6,100 oz Au.

Cap-Oeste, Province of Santa Cruz, Argentina

The Cap-Oeste Project is 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's resource base and to develop the Cap-Oeste Project towards production in 2017.

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 6 resource updates with the latest JORC compliant resource estimate completed in October 2017 containing 15.45MT @ 1.85 g/t Au and 53.9 g/t Ag for 2.62 g/t Aueq (US\$1,250/Au and US\$18/Ag per ounce) for 917k oz Au, 26.8M oz Ag for 1.31 m oz Aueq, these resource are global of which Net Attributable ounces are 90% of this figure to the Company. All resources are reported below the existing preliminary A3 pit design.

Cap-Oeste Project

Cap-Oeste is expected to produce 24,850 ounces of Aueq during 2017. The Company has experienced significant setbacks in the installation of the now commissioned agglomeration circuit and damage to the heap leach pad due to extreme weather conditions, which have led to a significant reduction in the expected annual production. The recovery issues have now been resolved and the leach pad is now agglomerating at capacity with recoveries in line with expectations and the Company remains confident that gold recovery of 80% will be achieved on completion of the full leaching cycle. Agglomeration of the ore continues on a daily basis with throughput now exceeding 3,000 tonnes per day from a 12 hour shift, with 85,000 tonnes of agglomerated ore having now been loaded onto the pads as at the end of October 2017.

As a result of the previously announced recovery issues experienced at Cap-Oeste, production for 2017 has been materially impacted and the Company now expects production from the Cap-Oeste heap leach operations to be 24,850 oz AuEq for 2017 full year, with 10,100 oz AuEq for the final quarter of 2017.

Current pit operations have now advanced to a level where high grade COSE style hypogene mineralisation has been exposed, enabling the Company to confirm the shoot's dimensions and style of mineralisation and grade below the current pit. A subsequent reinterpretation of the deeper drilling and mineralisation intersected below the current pit, has led to a material increase in the tonnage and contained Au and Ag of this non refractory style of mineralisation (which falls within the COSE style mineralisation).

An updated JORC compliant resource model has been completed by CUBE Consulting to report on the ore below the current pit. This shows a material increase in the COSE type mineralisation, which can be treated via cyanide leaching, in the Cap-Oeste resource (Measured and Indicated) below the current pit of approximately 295,000 oz AuEq at an average grade of approximately 19.40 g/t AuEq.

In addition, as at the end of August 2017, Cap-Oeste has remaining resources in the current open pit totaling 560,901t @ 3.43g/t Au and 135.48g/t Ag for 5.38g/t Aueq for 61,802 oz of Au and 2.44m oz of Ag.

Total ore mined to the end of September 2017 is 4% below schedule at 560,710T @ 1.81 g/t Au and 56g/t Ag for 2.48g/t Aueq, total waste mined for the same period is 2.3 Mt or 21% below schedule. The Company expects mining operations at Cap-Oeste in the current pit to be terminated by early Q2 2018, although the Company is currently evaluating various options, including whether to continue mining the deposit from underground or expand the open pit to the full final pit design.

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% 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 interim results for the six months ended 30 June 2017, released on 27 September 2017, the Company announced revenues from gold sales of US\$12.8 million (1H2016: US\$21.6 million), below forecast owing mainly to lower initial production from the open pit mine at Cap-Oeste. However, the Company recorded net profits of US\$9.1 million (1H2016: US\$2.2 million) for the first six months of the year largely owing to the disposal of Cap-Oeste Sur Este project ("COSE"). Excluding the disposal, the Company achieved a net loss of US\$3.8 million.

At the end of the period short term debt amounted to US\$27.1 million (31 December 2016: US\$18.0 million). The increase in the debt position is attributable to the capital cost of the agglomeration circuit and working capital requirements due to lower initial revenues from gold sales as a result of the recoveries issues at Cap Oeste. The outstanding debt is intended to be repaid in full, and surplus cash flow generated, from the increased production from Cap Oeste as this ramps up and achieves its target level of production.

At Lomada, where mining activity ceased in May 2016, operations continue to perform well with production expected to continue at least until the end of the current year.

At Cap-Oeste, initial recoveries were impacted by the high clay content resulting in lower than expected production in the period with production of 6,643 oz AuEq during the period. However, following the construction of the agglomeration circuit, which was completed in August following the commissioning of the crusher, production at Cap-Oeste is expected to improve as its operation begins to ramp up.

The Company disposed of COSE on 31 May 2017 to a subsidiary of Pan American Silver Corp ("PAAS"), for a total consideration of US\$15 million (US\$7.5 million of which is deferred to the earlier of 31 May 2018 and the commencement of production), plus a 1.5% net smelter return royalty. This transaction allows PAAS to treat and produce, in its plant, additional ore from the COSE mineral deposit, and provides Patagonia with the opportunity to reduce its net debt position while focusing on new opportunities.

3. Background to and reasons for the Fundraising

The Calcatreu gold-silver project represents an excellent opportunity for the Company to acquire a high grade > 1 million ounce deposit with significant exploration upside potential in a low sulphidation mineralized system within a large and under explored exploration package of tenements. Rio Negro is a mining friendly province in Argentina with a proactive government intent on increasing local investment and creating long term job growth. The Directors believe that Calcatreu has the potential to be a 10+ year open pit mining operation with its existing resource base. The overall consideration of US\$15 million is equivalent to approximately 62,500m of HQ diamond drilling or approximately 70% of the drilling that has already been completed within Calcatreu and represents a discovery cost of US\$15 per oz, which is extremely low for current day exploration costs.

As a result of the previously announced recovery issues experienced at Cap-Oeste, production for 2017 has been materially impacted which has significantly impeded the Company's capacity to generate free cashflow and provide the full US\$15 million cash consideration required to complete the acquisition directly from operating margin. The Company intends to fund the balance of the consideration from its existing cash resources and loan facilities.

4. Use of proceeds

The net proceeds of the Fundraising, together with existing cash resources and loan facilities of the Company, will be utilised to exercise the purchase option on the Calcatreu gold silver project located in Argentina's Rio Negro province. The Calcatreu asset is a high grade (2.325g/t Aueq) low sulphidation gold system with the mineralization outcropping at surface. The current resource contains [8mt @ 3.04 g/t Aueq](#) for 780,000 ounces in Indicated Category and a further 255,000 oz @ 2.32 g/t Aueq in Inferred Category. This resource model was completed in 2008 using prices of US\$650/oz Au and \$12.50/oz Ag, respectively. The land package around the existing discovery is large with over 25,000 hectares of sparsely explored terrain. No systematic exploration has been carried out since Aquiline sold the asset to Pan American in 2005.

PGSA has now completed its due diligence programme including a remodeling and re-estimation of the existing resource and the drilling of 6 PQ diamond holes into the main Vein 49 zone, results of the drilling compared very well with the original Aquiline drilling and reduce . The Company proposes to explore the area immediately around the existing resource with the aim of increasing the resource before completing a feasibility and developing the asset. The Directors believe that approximately 12-18 months will be required to generate and drill off known targets. The Company is confident from the data reviewed to date that there remains significant potential to increase the existing resource base. Detailed exploration has not been carried out since the gold price was US\$500 dollars per ounce and deeper vein extensions and geophysical targets were not tested at all only surface outcropping vein. The system has a known strike length of in excess of 8km and the Directors believe that this may well increase with increased knowledge of the system and more detailed geophysical and geochemical surveys, which the Company intends to undertake on completion of the acquisition.

5. Information on the Fundraising

5.1 The Subscription

The Company has conditionally raised gross proceeds of £3.79 million (approximately US\$5 million) through the issue by the Company of 378,787,878 Subscription Shares at the Issue Price, through the Subscription with Cantomi pursuant to the terms of the Subscription Letter. The Issue Price of 1 pence represents a discount of approximately 7.4 per cent. to the closing mid-market price of 1.08 pence per Ordinary Share on 20 November 2017, 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 addition, 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 396,937,401 Open Offer Shares, raising gross proceeds of £3.97 million (approximately US\$5.24 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:

1 Open Offer Shares for every 4 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. In addition, Maria Luisa Miguens, Cinco Vientos and Polinter SA, who are all members of the Concert Party, have undertaken to take up their Open Offer Entitlements in full. Mr Miguens has also undertaken to apply, through Cantomi, for all the remaining Open Offer Shares under the Excess Application Facility, other than the Open Offer Shares which he directly, Maria Luisa Miguens, Cinco Vientos and Polinter SA have each undertaken to take up in respect of their own pro-rata entitlements under the Open Offer. Accordingly, Mr Miguens has undertaken to apply for, in aggregate, 374,878,071 Open Offer Shares, directly and through Cantomi. In respect of the Fundraising, 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.

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, other than the Open Offer Shares which he directly, Maria Luisa Miguens, Cinco Vientos and Polinter SA have each undertaken to take up in respect of their own pro-rata entitlements under the Open Offer. 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.

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 22 November 2017. The Excess Open Offer Entitlements will also be enabled for settlement in CREST on 22 November 2017. 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 8 December 2017. 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 16.03 per cent. of the Enlarged Share Capital; and
- the Open Offer Shares will represent approximately 16.79 per cent. of the Enlarged Share Capital.

The New Shares will represent, in aggregate, approximately 48.86 per cent. of the Company's existing issued share capital and approximately 32.82 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, 592,240,677 Ordinary Shares, held both directly and through his controlled entity, Cantomi, representing approximately 37.30 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, one of the Company's Non-Executive Directors, who is interested in: (i) in aggregate, 17,402,733 Ordinary Shares, held both directly and through his controlled entity, Capifox, representing approximately 1.10 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 726,630,466 Ordinary Shares representing approximately 45.76 per cent. of the Existing Ordinary Shares. In addition, members of the Concert Party hold 28,219,000 Options.

Carlos J. Miguens, through his controlled entity, Cantomi, has subscribed for 378,787,878 Subscription Shares and has also undertaken to apply for all of his direct and Cantomi's Open Offer Entitlements. In addition, Maria Luisa Miguens, Cinco Vientos and Polinter SA, who are all members of the Concert Party, have undertaken to take up their Open Offer Entitlements in full. Mr Miguens has also undertaken to apply, through Cantomi, for all the remaining Open Offer Shares under the Excess Application Facility, other than the Open Offer Shares which he directly, Maria Luisa Miguens, Cinco Vientos and Polinter SA have each undertaken to take up in respect of their own pro-rata entitlements under the Open Offer. Accordingly, Mr Miguens has undertaken to apply for, in aggregate, 374,878,071 Open Offer Shares, directly and through Cantomi. 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 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 other than as set out above. Further information on each member of the Concert Party is provided in paragraph 5.5 below.

Name	Number of Ordinary Shares interested as at the date of the Circular	Percentage of Existing Ordinary Shares	Number of Subscription Shares proposed to be acquired	Number of Open Offer Shares proposed to be acquired	Total number of Ordinary Shares interested in Shares upon completion of the Fundraising ⁽⁴⁾	Number of Ordinary Shares interested in Admission upon as a percentage of the Enlarged Share Capital ⁽⁴⁾	Number of Options held by Concert Party members ⁽²⁾⁽³⁾	Number of Ordinary Shares interested in Admission and exercise of the Options in full ⁽⁵⁾	Number of Ordinary Shares interested in following Admission and exercise of the Options in full as a percentage of the further enlarged share capital
Cantomi Uruguay SA ⁽¹⁾	578,578,651	36.44	378,787,878	371,462,565	1,328,829,094	56.22	24,500,000 ⁽²⁾	1,353,329,094	56.58
Carlos J. Miguens	13,662,026	0.86	-	3,415,506	17,077,532	0.72	-	17,077,532	0.71
Carlos Miguens Jr.	291,654	0.02	-	-	291,654	0.01	-	291,654	0.01
Maria Luisa Miguens	18,000,000	1.13	-	4,500,000	22,500,000	0.95	-	22,500,000	0.94
Cinco Vientos Uruguay SA	45,897,392	2.89	-	11,474,348	57,371,740	2.43	-	57,371,740	2.40
Polinter SA	24,339,930	1.53	-	6,084,982	30,424,912	1.29	-	30,424,912	1.27
Cristina Miguens	24,485,645	1.54	-	-	24,485,645	1.04	-	24,485,645	1.02
Gonzalo Tanoira	10,691,576	0.67	-	-	10,691,576	0.45	-	10,691,576	0.45
Capifox SA ⁽³⁾	6,711,157	0.42	-	-	6,711,157	0.28	3,719,000 ⁽²⁾	10,430,157	0.44
Bárbara Tanoira	1,324,145	0.08	-	-	1,324,145	0.06	-	1,324,145	0.06
Leonor Tanoira	1,324,145	0.08	-	-	1,324,145	0.06	-	1,324,145	0.06
Santiago Tanoira	1,324,145	0.08	-	-	1,324,145	0.06	-	1,324,145	0.06
Concert Party aggregate total	726,630,466	45.76	378,787,878	396,937,401	1,502,355,745	63.57	28,219,000	1,530,574,745	64.00
Other Shareholders	830,287,923	54.24	-	-	861,119,139	36.43	-	861,119,139	36.00
Total	1,556,918,389	100.00	378,787,878	396,937,401	2,363,474,884	100.00	28,219,000	2,391,693,884	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 592,240,677 Ordinary Shares.
- (2) Options granted to Carlos J. Miguens (held through Cantomi) and Gonzalo Tanoira (held through Capifox).
- (3) Gonzalo Tanoira is deemed to be beneficially interested in the Ordinary Shares held by Capifox and accordingly, his current aggregate holding is 17,402,733 Ordinary Shares.
- (4) Assuming no participation in the Open Offer by Qualifying Shareholders, other than set out above, and that all Open Offer Shares other than those to be taken up by Maria Luisa Miguens, Cinco Vientos and Polinter SA 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 1,102,011,191 Ordinary Shares and Carlos J. Miguens resulting aggregate holding would therefore be 1,119,088,723 Ordinary Shares representing approximately 47.35 per cent. of the Enlarged Share Capital and the Concert Party's aggregate holding would be 1,275,537,842 Ordinary Shares representing approximately 53.97 per cent. of the Enlarged Share Capital.
- (5) These figures reflect the assumptions set out in note (4) above, that there is no participation in the Open Offer by Qualifying Shareholders, other than as set out above, and on the basis that all the Options held by members of the Concert Party are exercised in full and that no other outstanding options are exercised. In the event that only Carlos J. Miguens exercises his Options, held through Cantomi, he would be interested in, in aggregate, 1,370,406,626 Ordinary Shares representing approximately 57.39 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, director and shareholder of a number of companies, including S.A. San Miguel ("San Miguel"), a global citrus producer, Minera El Desquite, and Central Puerto SA, 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 Jnr is the son of Carlos J. Miguens. He is currently residing in Sao Paulo, Brazil and works for Patria Investments.

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, Central Puerto 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.

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 a Non-Executive 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 design 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 married 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

The participation in the Fundraising by Carlos J. Miguens (directly and through his controlled entity Cantomi), as set out in paragraph 5.4 above, will be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies, as (i) Mr Miguens is a Director of the Company; and (ii) the aggregate subscription by Carlos J. Miguens (directly and through his controlled entity Cantomi) pursuant to the Fundraising for up to 374,878,071 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 Mr Miguens) confirm that, having consulted with the Company's nominated adviser, Strand Hanson, they consider the terms of the participation by Cantomi 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 above.

Carlos J. Miguens' participation in the Subscription and the Open Offer, directly and through Cantomi, will increase his aggregate percentage shareholding of the Company's issued share capital and will also result in an increase in the Concert Party's aggregate percentage to over 50 per cent. of the Company's issued share capital 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 shareholders of the company who are independent of the person who would otherwise be required to 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 Strand Hanson, consider the terms of the Rule 9 Waiver to be fair and reasonable and in the best interest of the 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, 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 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.

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 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 2,391,693,884 Ordinary Shares.

On the basis of such assumptions, in the event of no participation in the Open Offer by Qualifying Shareholders, other than the members of the Concert Party as set out above, and that all Open Offer Shares are acquired by Carlos J. Miguens (both directly and through Cantomi), Maria Luisa Miguens, Cinco Vientos and Polinter SA, the Concert Party's maximum interest in Ordinary Shares would be, in aggregate, 1,530,574,745 Ordinary Shares and the Concert Party's aggregate holding would constitute approximately 64.00 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, 1,303,756,842 Ordinary Shares and the Concert Party's aggregate holding would constitute approximately 54.51 per cent. of the then voting rights in the Company.

As a result of the Fundraising the Concert Party will be interested in together 50 per cent. or more of the voting rights in the Company, it will therefore 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 2,387,974,884 Ordinary Shares.

On the basis of such assumptions, in the event of no participation in the Open Offer by Qualifying Shareholders, other than the members of the Concert Party as set out above, and that all Open Offer Shares are acquired by Carlos J. Miguens (both directly and through Cantomi), Maria Luisa Miguens, Cinco Vientos and Polinter SA, then Carlos J. Miguens' and Cantomi's maximum interest in Ordinary Shares would be, in aggregate, 1,370,406,626 Ordinary Shares and his aggregate holding would constitute approximately 57.39 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, 1,143,588,723 Ordinary Shares and his aggregate holding would constitute approximately 47.89 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.

In the event that the Ordinary Shares which Carlos J. Miguens (both directly and through Cantomi) would then be interested in carry 50 per cent. or more of the voting rights in the Company, he would be free (both directly and through Cantomi) (subject as set out below and in Note 4 to Rule 9.1 of the City Code) to increase his 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.

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.

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, 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.

In the event that the Fundraising and Rule 9 Waiver are approved at the General Meeting, neither Carlos J. Miguens, Cantomi nor any member of the Concert Party will be restricted from making an offer for the Company.

10. Relationship Agreement

Carlos J. Miguens and Cantomi entered into a Relationship Agreement with Strand Hanson and the Company in connection with the 2016 Fundraising, which resulted in Carlos J. Miguens' aggregate percentage shareholding in the Company (taken together with Cantomi's percentage shareholding in the Company) exceeding 30 per cent. of the issued share capital of the Company. The principal purpose of the Relationship Agreement is to ensure (i) that the Company is able to comply with the AIM Rules and will be carrying on an independent business as its main activity; (ii) 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; (iii) 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 (iv) that the Board will manage the Company in the interests of the Shareholders as a whole.

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) hold, in aggregate, at least 20 per cent. of the Company's issued ordinary share capital.

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 the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 7 December 2017 at 11.00 a.m. 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) £7,757,252.79 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 £7,878,249.61; and
- 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 £2,363,474.88.

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

£7,878,249.61 (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 £2,363,474.88 (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 exercise of the Calcatreu Option. 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 exercise the Calcatreu Option. 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.

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 Fundraising to be fair and reasonable and in the best interests of the 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 6,364,735 Ordinary Shares, representing approximately 0.40 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 the 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 616,008,145 Ordinary Shares, representing approximately 38.8 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.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2017
Record Date for entitlements under the Open Offer	6.00 p.m. on 17 November
Announcement of the Fundraising	7.00 a.m. on 21 November
Existing Ordinary Shares marked 'ex-entitlement' by the London Stock Exchange	8.00 a.m. on 21 November
Publication and posting of the Circular, the Form of Proxy and, to Qualifying Non-Crest Shareholders only, the Application Form	21 November
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	22 November
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 30 November
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 1 December
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 4 December
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.00 a.m. on 5 December
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 6 December
General Meeting	11.00 a.m. on 7 December
Results of the General Meeting and the Fundraising expected to be announced	7 December
Admission and dealings in the Subscription Shares and Open Offer Shares expected to commence on AIM	8.00 a.m. on 8 December
Expected date for CREST accounts to be credited with Subscription Shares and Open Offer Shares in uncertificated form	8 December
Expected date for dispatch of share certificates in respect of Subscription	

Notes:

Each of the times and dates above are subject to change. References to time in this announcement, the 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.

DEFINITIONS AND GLOSSARY

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

"Act"	the Companies Act 2006 (as amended);
"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 8 December 2017;
"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;
"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which commercial banks are open for general business in London;
"Calcatreu Option"	the option granted to the Company dated 24 April 2017 to purchase the Calcatreu gold-silver asset in Rio Negro Province, Argentina for US\$15 million;
"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 21 November 2017, 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 will be 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 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;
"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 Entitlement"	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 1,587,749,605 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 the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH, on 7 December 2017 at 11.00 a.m.;
"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;

"ISIN"	International Securities Identification Number;
"Issue Price"	1 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;
"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;
"Money Laundering Regulations"	the Money Laundering Regulations 2007 (SI 2007/2157) (as amended);
"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 to be set out in the Circular and, in the case of Qualifying Non-CREST Shareholders, in the Application Form;
"Open Offer Entitlement"	the <i>pro rata</i> entitlement of a Qualifying Shareholder, pursuant to the Open Offer, to apply to subscribe for 1 Open Offer Shares for every 4 Existing Ordinary Shares registered in their name as at the Record Date;
"Open Offer Shares"	396,937,401 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;
"Prospectus Rules"	the Prospectus Rules made in accordance with EU Prospectus Directive 2003/71/EC published by the FCA pursuant to Part VI of FSMA;

"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 17 November 2017;
"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;
"Securities Act"	the US Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder;
"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"	378,787,878 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;
"UK Listing Authority" or "UKLA"	the UK Listing Authority, being the FCA acting as competent authority for the purposes of Part VI of FSMA;
"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;

"USE"	unmatched stock event;
"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;
"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; and
"2016 Fundraising"	the subscription and open offer of, in aggregate, 462,962,962, Ordinary Shares at 1.5 pence per share which completed on 11 May 2016.

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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