

Final Results

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Patagonia Gold PLC

12 April 2018

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

Final Results for the Year Ended 31 December 2017

Patagonia Gold Plc (AIM:PGD), the mining and development company with gold and silver projects in Argentina, Chile and Uruguay, announces its audited financial results for the year ended 31 December 2017. These results are presented in United States dollars ("\$\$") unless otherwise stated.

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

2017 Financial Highlights

- At Cap-Oeste a total of 18,845 oz AuEq sold during 2017 at an average gross price of \$1,258.00/oz
- At Lomada de Leiva 6,337 oz Au sold during 2017 at an average gross price of \$1,257.00/oz
- Revenues of \$31.9 million (2016: \$30.0m) impacted by lower initial production from Cap-Oeste as a result of technical difficulties associated with a high clay content in the ore
- Profit after tax of \$8.1 million (2016: \$1.1 million) chiefly as a result of the disposal of COSE to Pan American Silver. Excluding this disposal the Company recorded a net loss of \$5.9 million
- Subsequent to year end, debt levels reduced by \$3.6 million

Operating Highlights

- Following the difficult production start-up at Cap-Oeste, total production at Cap-Oeste for the year amounted to 20,088 oz AuEq
- Agglomeration circuit at Cap-Oeste completed during Q3 and has been operating at full capacity since early Q4. January 2018 has seen a marked improvement in production levels and production guidance for 2018 is forecast at around 59,083 oz AuEq
- Additional technical improvements to the process are ongoing which will further help to optimise production levels
- Total production at Lomada for the year was 5,917 oz Au (2016: 22,770 oz Au) and it ceased production in November. A trial re-crushing programme is scheduled to begin in May 2018 when a package of the higher grade ROM material will be re-crushed and leached to ascertain whether it is viable to re-crush the entire 2MT stockpile
- An updated resource calculation at Calcatreu using prevailing metal prices recorded an increase in total AuEq contained ounces of 1.17moz
- The Company will focus on Calcatreu during 2018 with the objective both to increase the existing resource base through intensive exploration and to advance feasibility and preliminary engineering studies by the year end
- Exploration continues at the company's properties in San Jose in Uruguay, and at La Manchuria and Sarita in Argentina.

Corporate Highlights

- The Company completed the disposal of its COSE gold mine on 31 May 2017 to a subsidiary of Pan American Silver for a total consideration of \$15 million, of which \$7.5 million was paid on 31 May 2017, and \$7.5 million is deferred to 31 May 2018, plus a 1.5% Net Smelter Return royalty.
- In December 2017, with continued support from existing shareholders, the Company successfully concluded a \$10.17 million fundraising to finance the acquisition of the Calcatreu Deposit from Minera Aquiline Argentina S.A. a wholly owned subsidiary of Pan American Silver.
- On 22 December 2017, the Company signed the Definitive Agreement to acquire all the shares of Minera Aquiline Argentina which owns 100% of the Calcatreu Deposit, for a total consideration of US\$15 million. Patagonia Gold made the initial payment of \$5 million on legal completion of the acquisition on 31 January 2018, with the balance of \$10 million due on 18 May 2018. The acquisition of Calcatreu was closed on 31 January 2018.

Christopher van Tienhoven, CEO commented: "The acquisition of Calcatreu, which was completed in January 2018, was the highlight of our year and represents a real opportunity for the Company to expand and become a profitable enterprise. With operations now on track at Cap-

Oeste and work under way at Calcatreu, we look ahead to 2018 as a stepping stone to better success.

The Annual General Meeting of the Company will be held on 9th May 2018 at 11.00 a.m. at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH.

The Annual Report for the year ended 31 December 2017, Notice of Annual General Meeting and Form of Proxy will shortly be posted to shareholders.

The Company's complete financial statements for the 12 months ended 31 December 2017 with the notes, will shortly be available on Patagonia Gold's website at www.patagoniagold.com.

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

About Patagonia Gold

Patagonia Gold Plc is a mining company that seeks to grow shareholder value through exploration, development and production of gold and silver projects in the southern Patagonia region of Argentina. The Company is primarily focused on its flagship Cap Oeste project in Santa Cruz and the recently acquired Calcatreu project in Rio Negro. In addition, it is carrying out exploration in Manchuria and Sarita in Argentina and San Jose in Uruguay. Patagonia Gold, indirectly through its subsidiaries or under option agreements, has mineral rights to over 220 properties in several provinces of Argentina, Chile and Uruguay and is one of the largest landholders in the province of Santa Cruz, Argentina.

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

For more information, please contact:

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Chairman's Statement

I am pleased to present the 2017 Annual Report of Patagonia Gold Plc ("Patagonia Gold" or the "Company").

During 2017, Patagonia Gold continued along its path of transformation which commenced with the management changes introduced in 2015. The highlight of the year was our acquisition of the Calcatreu project from Pan American Silver, which completed in January 2018. Given its size and potential, Calcatreu has become the Company's new flagship project. We are all very excited about this acquisition and look forward to advancing the project during 2018 to unleash its considerable exploration potential in order to increase the existing sizeable resource. To date, exploration has only focused on surface outcropping veins. No exploration has been carried out on the deeper vein extensions and other geophysical targets so we have a significant programme ahead of us involving detailed geophysical and geochemical surveys, all of which data will be compiled into a new resource statement ahead of a feasibility study.

In terms of operations, 2017 was another difficult year for Patagonia Gold given the gold and silver recovery problems at Cap-Oeste. However these issues have been resolved by our management team with the installation of an agglomeration circuit. The result is that during the last quarter of the year production from Cap-Oeste ramped up to forecast parameters, and continues to improve into 2018.

In May 2017, the Company completed the sale of the COSE deposit to Pan American Silver for a total consideration of US\$15 million. The sale of COSE was an important milestone for the Company as it realized value from a deposit the Company would not otherwise have developed and marked the start of a commercial relationship between Patagonia Gold and Pan American Silver.

In December 2017, we successfully completed a fundraising which allowed us to conclude the acquisition of the Calcatreu project in January 2018. The mining industry worldwide continues to show signs of improvement. Given the current solid and stable prices of gold and silver, together with expectations for improvement in the mining industry in the short and medium term, and the improved perception of Argentina in international markets, Patagonia Gold is in the right place to benefit from these improved conditions. I continue to believe in the potential of the mining industry in Argentina and continue to support the Company as I have done since its inception.

I should like to thank the Board, management and staff for their determined and continuous efforts over the past year, contributing towards the growth of the Company. In addition, I should also like to take this opportunity to express my sincere thanks to our committed shareholders. I believe we now have the asset that can take us on a path to greater prosperity and I look forward to updating you on our progress during the course of the year.

Carlos J. Miguens
Non-Executive Chairman

12 April 2018

Report from the Chief Executive Officer

2017 was a pivotal year for Patagonia Gold with the completion of the acquisition in January 2018 of the potential world class Calcatreu

project from Pan American Silver Corp. ("Pan American"), and the turnaround of operations at Cap-Oeste.

Revenues for 2017 amounted to US\$31.9 million (2016: US\$30.0 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\$8.1 million (2016: US\$1.1 million) for 2017 as a result of the disposal of COSE. Excluding this disposal, the Company reported a net loss of US\$5.9 million for the year ended 31 December 2017.

Cap-Oeste's production for 2017 was 20,088 oz AuEq produced, of which 18,845 oz AuEq were sold in the period at an average gross price of \$1,258 per oz, generating revenues of \$23.9 million.

Forecast production from Cap-Oeste is expected to be approximately 59,083 oz AuEq and 6,267 oz AuEq in each of 2018 and 2019 respectively, in line with previous guidance.

As anticipated, Cap-Oeste will continue providing the Company with the cash flow to meet its short term financing commitments and, at the same time, allow Patagonia Gold to continue exploring identified targets in the region. Subsequent to year-end, short-term debt levels were reduced by US\$3.6 million.

The Company continues to review alternatives for development of the high grade ore at Cap Oeste, including the development of an underground mine as well as progressing negotiations with interested third parties.

As previously announced, although mining activities at Lomada gold mine ceased in May 2016, gold continued to be recovered through the ongoing irrigation of the heap leach pad. Total production at Lomada in 2017 was 5,917 oz Au (2016: 22,770 oz Au). A total of 6,337 oz Au (2016: 23,387 oz Au) were sold at an average gross price of \$1,257 per ounce (2016: \$1,236 per ounce), generating revenues of \$8.0 million (2016: \$28.6 million), which were above management's expectations. In November 2017 production at Lomada ceased, and is scheduled to return in the middle of 2018 to crush the existing ore on the heap leach and place under irrigation.

In December 2017, with continued support from our existing shareholders, the Company successfully concluded a \$10.17 million fundraising to finance the acquisition of the Calcatreu Deposit. On 22 December 2017, the Company signed the Definitive Agreement to acquire all the shares of Minera Aquiline Argentina which owns 100% of the Calcatreu Deposit, from Pan American, for a total consideration of US\$15 million. Patagonia Gold made the initial payment of US\$5 million on legal completion of the acquisition on 31 January 2018, with the balance of US\$10 million falling due on 18 May 2018.

The Calcatreu Deposit adds a near one million ounce resource project to the portfolio of the Company presenting not only a new opportunity for Patagonia Gold to develop and produce from an asset with a potential mine life of over five years, but also one which will enable the Company to diversify its regional operations and its risk profile.

The Company completed the disposal of its COSE gold mine on 31 May 2017 to a subsidiary of Pan American for a total consideration of US\$15 million, of which US\$7.5 million was paid on 31 May 2017, and US\$7.5 million is deferred to 31 May 2018, plus a 1.5% Net Smelter Return royalty. Given the capital that would have been required to develop the COSE underground mine and the clear processing synergies for Pan American, the disposal of COSE was in the best interests of the Company and provides Patagonia Gold with an opportunity to reduce its net debt position.

The Company continues to target operating efficiencies and during 2017 the measures previously adopted continued to achieve cost reductions. The Company recognises that this is a continual process and is committed to further optimising costs with the prime objective of maximising the funds that are available for investment in the exploration and development of its project.

Exploration continues to be a key aspect of the business and the Company has tested several of the projects in its property portfolio, including Sarita and Manchuria in Santa Cruz, Argentina, and San José in Uruguay. Further exploration works are planned on these projects once cash becomes available from Cap-Oeste.

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

In addition to the usual business to be dealt with at the Annual General Meeting this year, the Company will also be seeking shareholder approval for a capital reorganisation ("Capital Reorganisation"), comprising a consolidation and sub-division of the Company's ordinary shares. The Directors believe that the Capital Reorganisation is necessary to improve the marketability of the Company's ordinary shares by creating a higher trading price per ordinary share, which is expected to reduce volatility in the share price. Accordingly, a consolidation of every 100 existing ordinary shares into one new consolidated ordinary share is proposed. Further details are set out in a circular containing the notice of AGM, to be sent out together with the Annual Report.

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

Christopher van Tienhoven
Chief Executive Officer

12 April 2018

Operations Report

The following is a summary of the Company's operations, together with an update on exploration activities for the year 2017.

Company's Properties

The agglomeration circuit at Cap-Oeste was completed during Q3 and has been operating at full capacity since early Q4. A total of 750,000 t @ 2.15 g/t Au and 74 g/t Ag were mined from the Cap-Oeste pit during 2017, and of this material 220,000 t @ 3.06 g/t Au and 98.6 g/t Ag for 32,686 AuEq ounces has been crushed and agglomerated to the end of December 2017 with total gold equivalent production reaching 20,088 oz AuEq for the year. January 2018 has seen a marked improvement in production levels with record monthly production of 3,646 oz AuEq registered for Cap-Oeste with February on target to exceed 4,200 oz AuEq.

Engineering design and the acquisition of a second crushing and mixing circuit is now well underway with all major components purchased and in transit, or being refurbished. This circuit will be installed in Cap-Oeste in late Q2 with the objective of retreating approximately 800,000 t of ore previously stacked before the agglomeration circuit was installed and operational. Due to the high

moisture content and considerable clay content, a specialised roll crusher circuit has been sourced to enable this wet material to be treated without blocking the crushing equipment. It is estimated that approximately 15,000 ounces of AuEq metal is still available to be recovered from this ore due to the poor initial recovery obtained from the ROM leaching cycle. Production is scheduled to begin in the middle of 2018.

The purchase of the Calcatreu deposit from Minera Aquiline (Pan American Silver) was completed on January 31 2018 and work has already commenced on the ground with a comprehensive Induced Polarisation study underway. The project has an existing combined Indicated and Inferred resource of in excess of 1Moz of AuEq contained. The resource model was calculated and reported in 2008 at significantly lower gold and silver prices and for this reason the Company has contracted CUBE Consulting to re-run the resource model and update the geological interpretation utilising prevailing metal prices. The update was completed and released on March 26, 2018.

To date, only outcropping vein mineralisation has been systematically drill tested at the Calcatreu project leaving the 8 km structural corridor significantly underexplored. Calcatreu will become the main focus of the Company during 2018 with the objective of increasing the existing resource base through intensive exploration and advancing a feasibility study and preliminary engineering studies by year end.

The Lomada project continued to produce from the heaped stockpiles in 2017 with a total of 6,337 Oz of Au sold during 2017. The mine as previously stated is not in operation and little to no exploration has been completed during 2017. A trial re-crushing programme is scheduled to begin in May 2018 where a package of the higher grade ROM material will be re-crushed and leached to ascertain whether it is viable to re-crush the entire 2Mt stockpile.

The La Manchuria property block is located approximately 50 kilometres to the southeast of the El Tranquilo property block and hosts the La Manchuria Project. A number of options are currently being evaluated to advance the Manchuria and Sarita projects including a joint venture or developing in an agreement with a third party.

Exploration continues on the Uruguay properties with geophysics and soil geochemistry and rock chip sampling continuing across the tenements, additional drilling is programmed for 2018 with Carreta Quemada the first target to be tested.

The JORC Code compliant resources delineated as at 31 December 2017 (COSE removed) are listed in the table below:

Gross Resources (PGSA-Fomicruz)							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq ²
Cap-Oeste ³	1,914,000	2.89	47.84	3.58	178,000	2,944,000	220,000
TOTAL Measured	1,914,000	2.89	47.84	3.58	178,000	2,944,000	220,000
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq ²
Calcatreu ³	8,816,000	2.43	23.78	2.75	690,000	6,740,000	778,000
La Manchuria	425,705	2.95	135	4.07	40,380	1,848,211	55,684
Cap-Oeste ³	10,555,741	2.07	62.85	2.97	701,842	21,330,265	1,009,008
Lomada ¹	4,000,465	0.48	NA	NA	61,919	NA	61,919
TOTAL Indicated	23,797,911	1.95	39.10	2.49	1,494,141	29,918,476	1,904,611
INFERRED RESOURCES							
Area Name	Inferred	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq ²
Calcatreu ³	7,571,000	1.41	14.12	1.59	343,000	3,438,000	388,000
La Manchuria	1,469,020	1.53	49.4	1.92	72,335	2,335,236	90,682
Cap-Oeste ³	4,894,752	1.37	34.74	1.87	215,396	5,466,624	294,126
Lomada ¹	3,412,270	0.672	NA	NA	73,726	NA	73,726
Total Inferred	17,347,042	1.26	20.15	1.52	704,457	11,239,860	846,534

Net Attributable Resources (PGSA)							
MEASURED RESOURCES							
Area Name	Measured	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq ²
Cap-Oeste ³	1,723,000	2.89	47.84	3.58	160,000	2,649,000	198,000
TOTAL Measured	1,723,000	2.89	47.84	3.58	160,000	2,649,000	198,000
INDICATED RESOURCES							
Area Name	Indicated	Grade (g/t)			Metal (oz)		
	Tonnes	Au	Ag	AuEq	Au	Ag	AuEq ²
Calcatreu ³	8,816,000	2.43	23.78	2.75	690,000	6,740,000	778,000
La Manchuria	383,135	2.95	135	4.07	36,342	1,663,390	50,116
Cap-Oeste ³	9,500,167	2.07	62.85	2.97	631,658	19,197,239	908,108

Lomada ¹	3,600,419	0.48	NA	NA	55,727	NA	55,727
TOTAL Indicated	22,299,721	1.97	38.50	2.50	1,413,727	27,600,629	1,791,951
INFERRED RESOURCES							
Area Name	Inferred Tonnes	Grade (g/t)			Metal (oz)		
		Au	Ag	AuEq	Au	Ag	AuEq ²
Calcatreu ³	7,571,000	1.41	14.12	1.59	343,000	3,438,000	388,000
La Manchuria	1,322,118	1.53	49.4	1.92	65,102	2,101,712	81,614
Cap-Oeste ³	4,405,277	1.37	34.74	1.87	193,857	4,919,962	264,714
Lomada ¹	3,071,043	0.672	NA	NA	66,353	NA	66,353
Total Inferred	16,369,438	1.27	19.87	1.52	668,312	10,459,674	800,681

¹ Lomada resource has not been depleted during 2017 to take account of production during the period.

² AuEq oz were calculated on the prevailing Au:Ag ratio at the date of publishing of the JORC/43-101 compliant resource reports for the individual projects

³ Cap-Oeste resources have been depleted for mining up to the end of December 2017

⁴ COSE resource removed due to disposal

⁵ The Company holds a 90% interest in PGSA, with the remaining 10% being held by the Santa Cruz government's wholly-owned mining company, Fomento Minero de Santa Cruz Sociedad del Estado ("FOMICRUZ"). The net attributable resource shows the 90% of the Cap-Oeste resource that is attributable to the Company.

Argentina

Cap-Oeste Project

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

The agglomeration circuit at Cap-Oeste was completed during Q3 and has been operating at full capacity since early Q4. A total of 750,000 t @ 2.15g/t Au and 74 g/t Ag were mined from the Cap-Oeste pit during 2017, of this material 220,000 t @ 3.06 g/t Au and 98.6 g/t Ag for 32,686 AuEq ounces has been crushed and agglomerated to the end of December 2017 with total gold equivalent production reaching 20,088 oz AuEq for the year. January 2018 has seen a marked improvement in production levels with record monthly production of 3,646 oz AuEq registered for Cap-Oeste with February on target to exceed 4,200 oz AuEq.

Engineering design and the acquisition of a second crushing and mixing circuit is now well underway with all major components purchased and in transit, or being refurbished. This circuit will be installed in Cap-Oeste in late Q2 with the objective of retreating approximately 800,000 t of ore previously stacked before the agglomeration circuit was installed and operational. Due to the high moisture content and considerable clay content a specialised roll crusher circuit has been sourced to enable this wet material to be treated without blocking the crushing equipment. It is estimated that approximately 15,000 ounces of AuEq metal is still available to be recovered from this ore due to the poor initial recovery obtained from the ROM leaching cycle. Production is scheduled to begin in the middle of 2018.

Cap Oeste contains a high grade resource with approximately 300,000 ounces at 20 g/t Au Eq below the base of the existing pit. Once the open pit has been finalized it will be possible to access these resources by means of an underground mine from the bottom of the open pit. Alternatives to extract value from this high grade deposit are being reviewed.

Calcatreu Project

Calcatreu is located in the province of Rio Negro approximately 80 km south west of the small town of Ingeniero Jacobacci. The project was previously explored and drilled up to 2007 by Minera Aquiline before being sold to Pan American Silver. No systematic exploration has been carried out at the project since this date and Patagonia Gold sees good potential to expand and develop the already significant resources located at the project

The purchase of the Calcatreu project from Minera Aquiline (Pan American Silver) was completed on January 31 2018 and work has already commenced on the ground with a comprehensive Induced Polarisation study underway. A total of 27 line kilometres of IP geophysics is programmed with the first results due by the end of May after which drill programmes will be designed and commenced and a total of 8000 m has been budgeted for 2018 season. To date, only exposed or outcropping veins were drill tested leaving approximately 8km of the main structural corridor significantly underexplored by modern exploration techniques.

Two visits were made to Rio Negro, to review geology and drill core at the Calcatreu project. There appears to be good potential to increase the resource at the project due to the limited level of exploration completed to date.

As the last reported NI43-101 compliant resource model was reported by MICON International in February of 2008 with prevailing metal prices of \$650/oz Au and \$12.50/oz Ag, the Company commissioned CUBE Consulting from Perth Australia to complete an updated independent 43-101 compliant resource model utilising current metal prices. As per the RNS dated 26th March 2018 the updated resource model is tabled below:

Zone	INDICATED RESOURCES						
	kTonnes	Grade (g/t)			Contained Metal (kOz)		
		Au	Ag	Au_equ	Au	Ag	Au_equ ¹
Vein 49	5,688	2.9	26.8	3.2	528	4,893	592
Nelson	1,400	1.6	18.6	1.9	74	839	85
Belen	-	-	-	-	-	-	-
Castro Sur	1,728	1.6	18.1	1.8	88	1,008	101
TOTAL-Indicated	8,816	2.4	23.8	2.8	690	6,740	778
INFERRED RESOURCES							

Zone	kTonnes	Grade (g/t)			Contained Metal (kOz)		
		Au	Ag	Au_equ	Au	Ag	Au_equ ¹
Vein 49	2,198	1.8	17	2	128	1,201	144
Nelson	1,477	1.5	15.5	1.7	70	736	80
Belen	681	1.6	22.1	1.9	35	483	41
Castro Sur	3,215	1.1	9.8	1.2	110	1,018	123
TOTAL-Inferred	7,571	1.4	14.1	1.6	343	3,438	388

¹ AuEq calculations were carried out using a 76.5:1 Ag:Au ratio

A full reinterpretation and analysis of all available drill data and existing geological modelling data was undertaken resulting in an overall increase to 1.17 Moz contained AuEq with approximately 130 koz increased in the inferred resource category.

Currently a geophysics team is on the ground and is undertaking the first IP programme along strike from Vein 49 which hosts the majority of the existing published resources; this programme is expected to be completed within the next 2 months with a drill programme to be designed and implemented upon receiving results.

Lomada de Leiva Project

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

The Lomada pads continued to produce with 5,917 oz of gold recovered in 2017 before production stopped in November. A trial re-crushing programme is scheduled to begin in May 2018 where a package of the higher grade ROM material will be re-crushed and leached to ascertain whether it is viable to re-crush the entire 2 Mt stockpile currently stacked at the Lomada heap leach facility. The cost of reprocessing the material is estimated at approximately \$4/t, with the crushing and mining equipment required to be relocated from Cap-Oeste circuit. Further updates will be provided once the results of the first re-crushing trial are available.

La Manchuria Project and Sarita projects

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

In excess of 23.6 line kilometres of IP geophysics have been completed at the Sarita area with several high priority targets identified and drill ready for testing before year end.

Exploration Update Argentina and Uruguay

Exploration during 2017 consisted mainly of regional reconnaissance, geological mapping, trenching, sampling and exploration geophysics carried out at Santa Cruz and Uruguay. The geophysical surveys were Ground Magnetics and Pole-Dipole. Exploration in Argentina has been concentrated at La Manchuria and Sarita. Follow up geophysics and geochemical rock chip and soil programmes have also been completed on the Carreta Quemada and Chamizo projects in Uruguay. Drill targets have been identified at Carreta Quemada. Initial investigations are underway now at Calcatreu with the objective of delineating a drill target in the short term.

Activity	Unit	Volume		
		Santa Cruz - Argentina	San José - Uruguay	Río Negro
Stream Sediment Geochemistry	Samples	-	36	-
Soil Geochemistry	Samples	11	73	-
Rock Chip Sampling	Samples	246	80	78
Ground Magnetics	Line-km	1,140.85	928.8	-
Gradient Array IP	Line-km	-	-	-
Pole-Dipole IP	Line-km	45.565	30.775	-
Sawn Channels	metres	15.1	-	-
Sawn Channels	Samples	11	-	-
Trenching	metres	2,649.8	638	-
Trenching	Samples	428	377	-
RAB Drilling	metres	-	-	-
RC Drilling	metres	-	-	-
Diamond Drilling	metres	-	-	-

Table 1. Summary of exploration works completed during 2017

La Paloma Project

Cerro Vasco

A wide spaced pole-dipole IP survey (13.2 line-km) was completed over the Cerro Vasco prospect, located in the northern part of La Paloma block, approximately 18 km west of the Cerro Negro deposit. Widespread alteration, intense silicification and auriferous veining has been identified within the approximately 25 km² prospect area. The IP survey identified many potential drill targets. A soil geochemistry orientation survey was completed.

La Manchuria Project

At La Manchuria project, a detailed pole-dipole induced polarisation (IP) survey was completed over approximately 3 km² centred on the known low sulphidation epithermal mineralisation. The geophysical surveys revealed multiple targets in La Manchuria area, with many targets identified through the 3D IP modelled data.

The trenching programme designed to test IP anomalies intersected several structures including quartz veining. Results shows anomalous Au-Ag mineralisation in low-temperature quartz veins, justifying drill testing at depth. Best intercept from trenching in Stefania target resulted in 3.65 m @ 1.24 Au g/t and 21 Ag g/t.

Sarita Project

Extensive ground magnetic and pole-dipole IP geophysical surveys (23.6 line-km) have been completed at the Sarita project, located approximately 10 km NW of Hunt Mining's Mina Martha Ag-Au mine. The project hosts a widespread system of banded low sulphidation Au-Ag veins, encompassing a small rhyolitic dome complex.

Pole-Dipole IP survey indicated a complex environment, but some immediate drill targets are apparent. Detailed review and field checking of the Sarita IP data revealed evidence of previously unrecognised veins. Results received for trench samples show anomalous Au-Ag values up to 2.57 ppm Au and 138 ppm Ag. A drilling proposal has been prepared and is ready for drilling.

Las Lajas

Bajo Pellegrini Project

Mapping, sampling and ground magnetic survey commenced during 2017 after a 5-year hiatus. Rock-chip samples identified an area of interest at the intersection of 2 major structures. The ground magnetic survey shows numerous structures not evident in the field and reveals promising structures at the eastern part of the study area.

San José Project (Uruguay)

The Carreta Quemada properties cover an area of 388 km², and Chamizo covers an area of 70 km². Both are located on the San José Greenstone Belt within the early Proterozoic Piedra Alta Terrane, approximately 100 kilometres from Montevideo. The previously completed exploration programmes by the Company have identified a number of drill targets.

Chamizo - Zona 13

Mineralisation is hosted within a steeply dipping to sub-vertical shear zone up to 40 metres wide located at the contact between a granodiorite body to the north and Paleoproterozoic (2.1 Ga, Birimian age) greenschist facies metandesite schist and intercalated metasediments to the south. Mineralisation manifests as quartz-chlorite-sericite-carbonate-pyrite-arsenopyrite altered graphitic schist, with mylonites, cataclasites and breccias reflecting both brittle and ductile deformation. Quartz occurs as stringers, porphyroblasts and breccia clasts.

Pole-Dipole IP survey suggest an apparent extension of Tambo Viejo Shear to the west, at least 2.5 km west of Zona 13.

Chamizo - Zona 15

The prospect is defined by a strong, multi-sample panned concentrate Au anomaly defined during stream sediment sampling, which is located adjacent to an E-W striking intense IP chargeability high and resistivity low. Soil geochemical sample pulps (for ICP assay) intended to outline shear zone on basis of pathfinder elements, indicated moderate associated anomalism.

Carreta Quemada

The geochemical and geophysical surveys have identified an initial NW-SE trending target area with dimensions of approximately 1,300 metres x 400 metres, coincident with a regional NW-SE striking. In this area, Pole-Dipole lines show strong anomalies closely associated with soil geochemical anomalies. The best result from trenching at Carreta Quemada are of 40 m at 1.19 ppm Au, including 2 m at 16.2 ppm Au. A drilling programme is planned.

Rock chip sampling at Cobre del Zone reveals basalt hosted disseminated Cu mineralisation possibly related to VMS style mineralisation (base metal values to 0.59% Cu and >1.0% Zn). Tala ground mag survey indicates a probable extension to Carreta Quemada shear zone.

Nueva Helvecia and Colla Prospects

Nueva Helvecia

Panned concentrate sampling at Nueva Helvecia revealed coarse angular gold to ~2 mm. The stream sediment sampling returned 150 ppm Au.

A ground magnetic survey indicates a NW-SE oriented shear zone coincident with elevated Au in rock-chips. The survey extended to cover quartz vein with visible Au.

Strong N-S lineament has been defined. Mapping has identified a 800 m cataclasite zone that is a possible source of coarse gold in stream sediments samples. Soil geochemistry reports a 180 ppb sample on a N-S magnetic lineament. High grade gold, to 69.4 ppm Au, has been reported from a quartz vein at north of Nueva Helvecia prospect, close to prominent N-S magnetic lineament.

Colla

Pole-Dipole IP lines revealed a coherent strong chargeability anomaly directly beneath a 1 m² outcrop grading 14.7 ppm Au.

Trenching (Trench COATR-002) returns 8 m at 1.93 ppm Au. Panned concentrate sampling reports up to 32 visible Au grains in single sample.

Ground magnetic and IP surveys at Colla prospect confirmed a 2.2 km long anomalous corridor coincident with known mineralisation. Drilling is required.

Matthew Boyes

Chief Operations Officer

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	2017	2016
	\$'000	\$'000

Continuing operations

Revenue	31,899	30,041
Cost of sales	(16,711)	(14,862)
Gross profit	15,188	15,179
Project sale	15,000	-
Project cost of sale	(996)	-
Gain on sale of project	14,004	-
Exploration costs	(2,643)	(2,344)
Administrative costs		
Share-based payments charge	(42)	(67)
Other administrative costs	(14,004)	(8,679)
	(14,046)	(8,746)
Finance income	104	61
Finance costs	(2,460)	(1,976)
Profit before taxes	10,147	2,174
Income tax - charge	(2,010)	(1,122)
Profit for the year	8,137	1,052
Attributable to non-controlling interest	830	140
Attributable to equity share owners of the parent	7,307	912
	8,137	1,052
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
(Loss) / profit on revaluation of available-for-sale financial assets	(9)	27
Exchange loss on translation of foreign operations	(3,140)	(1,985)
Other comprehensive loss for the year	(3,149)	(1,958)
Total comprehensive profit / (loss) for the year:	4,988	(906)
Total comprehensive profit / (loss) for the year attributable to:		
Non-controlling interest	830	140
Owners of the parent	4,158	(1,046)
	4,988	(906)
Earnings per share (\$)		
Basic earnings per share	0.004	0.001
Diluted earnings per share	0.004	0.001

Consolidated Statement of Financial Position
at 31 December 2017

	2017	2016
	\$'000	\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	16,387	15,628

Mineral properties	8,925	11,716
Mining rights	3,388	3,488
Available-for-sale financial assets	24	31
Other receivables	4,654	7,687
Deferred tax asset	2,071	3,753
	35,449	42,303
Current assets		
Inventory	22,099	10,163
Trade and other receivables	14,682	2,044
Cash and cash equivalents	1,284	735
	38,065	12,942
Total assets	73,514	55,245
LIABILITIES		
Current liabilities		
Short-term loans	25,317	18,010
Trade and other payables	10,534	9,397
	35,851	27,407
Non-current liabilities		
Long-term loans	2,310	8,201
Provisions	1,570	1,052
	3,880	9,253
Total liabilities	39,731	36,660
EQUITY		
Share capital	31,886	19,587
Share premium account	143,690	131,602
Currency translation reserve	300	18,991
Share-based payment reserve	15,503	14,282
Retained earnings	(158,003)	(165,454)
Equity attributable to shareholders of the parent	33,376	19,008
Non-controlling interest	407	(423)
Total equity	33,783	18,585
Total liabilities and equity	73,514	55,245

**Consolidated Statement of Changes in Equity for
the year ended 31 December 2017**

Equity attributable to shareholders of the parent

	<i>Equity attributable to shareholders of the parent</i>					<i>Non-</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium account</i>	<i>Currency translation reserve</i>	<i>Share-based payment reserve</i>	<i>Accumulated losses</i>	<i>attributable To owners</i>	<i>controlling interests</i>	
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 1 January 2016	15,690	154,090	(11,746)	17,238	(166,553)	8,719	(563)	8,156
Changes in equity for 2016								
Share-based payment	-	-	-	67	-	67	-	67
Issue of share capital								
Issue by placing	7,186	3,593	-	-	-	10,779	-	10,779
Transaction costs of placing	-	(287)	-	-	-	(287)	-	(287)
Issue in lieu of payables	399	377	-	-	-	776	-	776
Lapse of option	-	-	-	(160)	160	-	-	-
Exchange differences on translation to \$	(3,688)	(26,171)	32,722	(2,863)	-	-	-	-
Transactions with owners	3,897	(22,488)	32,722	(2,956)	160	11,335	-	11,335
Profit for the year	-	-	-	-	912	912	140	1,052
Other comprehensive income (loss):								
Revaluation of available-for-sale financial assets	-	-	-	-	27	27	-	27
Exchange differences on translation to \$	-	-	(1,985)	-	-	(1,985)	-	(1,985)

Total comprehensive income/ (loss) for the year	-	-	(1,985)	-	939	(1,046)	140	(906)
At 31 December 2016	19,587	131,602	18,991	14,282	(165,454)	19,008	(423)	18,585
Changes in equity for 2017								
Share-based payment	-	-	-	42	-	42	-	42
Issue of share capital								
Issue by placing	10,399	-	-	-	-	10,399	-	10,399
Transaction costs of placing	-	(231)	-	-	-	(231)	-	(231)
Lapse of option	-	-	-	(153)	153	-	-	-
Exchange differences on translation to \$	1,900	12,319	(15,551)	1,332	-	-	-	-
Transactions with owners	12,299	12,088	(15,551)	1,221	153	10,210	-	10,210
Profit for the year	-	-	-	-	7,307	7,307	830	8,137
Other comprehensive income /(expense):								
Revaluation of available-for-sale financial assets	-	-	-	-	(9)	(9)	-	(9)
Exchange differences on translation to \$	-	-	(3,140)	-	-	(3,140)	-	(3,140)
Total comprehensive income /(loss) for the year	-	-	(3,140)	-	7,298	4,158	830	4,988
At 31 December 2017	31,886	143,690	300	15,503	(158,003)	33,376	407	33,783

**Consolidated Statement of Cash Flows
for the year ended 31 December 2017**

	2017 \$'000	2016 \$'000
Operating activities		
Profit before tax for the year	10,147	2,174
Adjustments for:		
Finance income	(104)	(61)
Finance costs	2,460	1,976
Depreciation	4,862	2,587
Non-cash adjustments	(384)	(179)
Gains on sale of project	(14,004)	-
Share issue in lieu of payables	-	776
Increase in inventory	(11,936)	(7,910)
Increase in trade and other receivables	(2,105)	(1,509)
Decrease in deferred tax	1,682	1,037
Increase in trade and other payables	324	2,755
Decrease in provisions	518	445
Taxes paid	(815)	(672)
Share-based payments charge	42	67
Net cash (used in) / provided by operating activities	(9,313)	1,486
Investing activities		
Finance income	104	61
Purchase of property, plant and equipment	(5,659)	(12,521)
Additions to mineral properties	(1,167)	(9,931)
Proceeds from disposal	7,500	49
Net cash provided by / (used in) investing activities	778	(22,342)
Financing activities		
Finance costs	(2,460)	(1,976)
Increase in Loans	27,583	38,167
Repayment of Loans	(25,169)	(25,609)
Proceeds from issue of share capital	10,399	10,779
Transaction costs of placing	(231)	(287)
Net cash from financing activities	10,122	21,074
Net increase in cash and cash equivalents	1,587	218
Cash and cash equivalents at beginning of year	735	1,694
Effects of exchange rate fluctuations on cash and cash equivalents	(1,038)	(1,177)

Notes

1. Publication of non-statutory accounts

The financial information, for the year ended 31 December 2017, set out in this announcement does not constitute statutory accounts. This information has been extracted from the Group's 2017 statutory financial statements upon which the auditors' opinion is unmodified. The Company financial statements upon which the auditors' opinion is unmodified, contain an emphasis of matter opinion in connection with the carrying value of the parent company investment in its subsidiaries.

2. Basis of preparation

The financial information, for the year ended 31 December 2017, set out in this announcement, has been:

- computed in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, however this preliminary announcement does not contain sufficient information to comply with IFRSs. The IFRS compliant Consolidated Financial Statements will be published in the Annual Report for the year ended 31 December 2017; and
- prepared on the basis of the accounting policies as stated in the Annual Report for the year ended 31 December 2017.

3. Going concern

The attached financial statements are prepared on a going concern basis. Having assessed cash flow projections through to November 2020 the Directors believe this basis to be appropriate for the following reasons:

Patagonia Gold has successfully transformed itself from a pure exploration company to fully fledged producer. Until Lomada de Leiva started commercial production in 2013 Patagonia Gold's focus was exploration work on its portfolio of properties in Chubut, Rio Negro and Santa Cruz. The Company started a small heap leach operation at Lomada de Leiva which had a relatively short life and in May 2016 the mining operation was suspended. The Lomada pad continued to produce gold at approximately 15 ounces per day until November 2017 when production was suspended. The Company is evaluating the possibility of returning to Lomada to crush the ore and place it under irrigation to recover remaining ounces. The Company expects to recover approximately 12,000 ounces during a period of 12 - 18 months.

Anticipating the end of the Lomada mine, the Company has advanced the Cap-Oeste project through the construction of a heap leach operation similar to the one at Lomada. The capital cost of this project was \$13.3 million, which has been funded from the successful fundraising of \$10 million completed in May 2016 together with cash flow from Lomada and existing and new credit lines. The Company maintains a strong relationship with a number of Argentine banks and is confident in its ability to secure both short and longer term borrowings as required. The Company has met all repayment dates and interest payments in accordance with loan terms throughout the year, and to the date of this report.

The development of the initial open pit mine at Cap-Oeste has been completed on time and within budget, with the first gold pour on 27 October 2016. However, initial recoveries were lower than anticipated and the Company installed an agglomeration circuit to improve recovery rates. The agglomeration circuit was commissioned in September 2017 and subsequently production has started to increase to design levels. Although the production for 2017 was significantly below target, Directors are confident that with the increase in production during the Q4 2017 the recovery problems are resolved and that the Company will meet the production target of 2018 of 59,083 oz Au Eq. From the expected cash flow generated from Cap Oeste the Company is confident that it will meet its obligations and lower the Company's debt position while at the same time enabling it to continue with its exploration activities. The Company continues to evaluate the alternatives for the development of Cap- Oeste sulphide resources by means of an underground operation which would be financed through internal cash flow, supplier credit and other project financing alternatives.

In May 2017 the Company sold the COSE deposit to Pan American Silver for US\$15 million plus a 1.5% royalty. The Company received US\$7.5 million upon closing the transaction and the remaining US\$7.5 million is due upon start of commercial production or within 12 months of closing whichever occurs sooner. The initial US\$7.5 million received in May 2017 was used to reduce the Company's debt position. Given the existing resources the royalty on the COSE deposit represents approximately US\$2 million in revenue for the Company at current metal prices. This revenue will further assist the Company in reducing its debt position.

In April 2017 the Company entered into an option to acquire the Calcatreu project from Pan American Silver for US\$15 million. In December 2017 the Company exercised the option and entered into a Definitive Agreement to acquire the project. In terms of the agreement the Company would need to make a payment of US\$5 million upon closing and US\$10 million on 18 May 2018. On 21 November 2017 the Company announced a subscription and open offer to for US\$10.4 million to secure the funds to pay for the upfront payment of Calcatreu and advance the project. Payment of the second instalment would be made from cash flow generated from Cap Oeste.

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

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

4. Mineral properties

	Mining assets \$'000	Surface rights acquired \$'000	Assets in the course of construction \$'000	Total \$'000
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Cost

At 1 January 2016	2,302	1,220	1,099	4,621
Additions	9,921	-	10	9,931
Exchange differences	(427)	(227)	(204)	(858)
At 31 December 2016	11,796	993	905	13,694
At 1 January 2017	11,796	993	905	13,694
Additions	1,167	-	-	1,167
Disposals	-	-	(772)	(772)
Exchange differences	(1,574)	(146)	(133)	(1,853)
At 31 December 2017	11,389	847	-	12,236

Amortisation

At 1 January 2016	1,341	-	-	1,341
Charge for the period	284	-	-	284
Exchange differences	353	-	-	353
At 31 December 2016	1,978	-	-	1,978
At 1 January 2017	1,978	-	-	1,978
Charge for the period	1,830	-	-	1,830
Exchange differences	(497)	-	-	(497)
At 31 December 2017	3,311	-	-	3,311

Net book value

At 31 December 2017	8,078	847	-	8,925
At 31 December 2016	9,818	993	905	11,716

Mining assets

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

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

Trilogy Mining Corporation

In January 2016, Patagonia Gold entered into an earn-in agreement with Trilogy Mining Corporation ("Trilogy") in relation to the San José Project in Uruguay. This agreement with Trilogy represents a great opportunity to acquire additional gold projects with good geological potential in a new jurisdiction, enabling the Company to diversify its regional operations and risks. This has been recognised within mining assets additions at a cost of \$1.3 million. No fair value has been attributed to the future potential investment or earn-in at this stage, the directors consider it to be too early to ascribe any value to this. The directors have considered and concluded that no impairment in value is needed at 31 December 2017. This investment was made directly by the parent company and is therefore reflected in the parent company balance sheet as well as that of the Group.

Surface rights

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

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

Assets in the course of construction

From 1 March 2011 to 31 May 2017, exploration costs on the COSE Project were capitalised as mineral properties - assets in the course of construction. On 31 May 2017, the Company completed the sale of the COSE project to a subsidiary of Pan American Silver Corp. for a total consideration of US\$15 million.

5. Inventory

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

	Group	
	2017	2016
	\$'000	\$'000
Work in process		
Gold held on carbon	2,339	1,455
Ore stockpiles	17,564	6,319
Consumables	2,196	2,389
	22,099	10,163

Ore stockpiles at Cap-Oeste have been valued using an assumed recovery rate of 80%. Consumables represent stocks of mining supplies,

reagents, lubricants and spare parts held on site.

The cost of inventories recognised as an expense and included in the cost of sales amounted to \$14.3 million (2016: \$13.1 million).

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

6. Trade and other payables

Current liabilities	Group	
	2017 \$'000	2016 \$'000
Trade and other payables	10,112	8,951
Income tax	169	271
Intercompany payables	-	-
Short term loans	25,317	18,010
Other accruals	253	175
	35,851	27,407

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

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

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

7. Loans and provisions

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Long term loans	2,310	8,201	-	-
Provisions	1,570	1,052	-	-
	3,880	9,253	-	-

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

8 Subsequent events

On 31st January 2018, the company acquired the Calcatreu gold asset in Rio Negro, Argentina, by way of acquiring 100% of the shares of Minera Aquiline S.A., a subsidiary of Pan American Silver Corporation. The board consider the acquisition to constitute a new opportunity to develop and produce resources as well as enabling the company to diversify its regional operations and improve its risk profile. Total consideration for the acquisition amounted to US\$ 15 million. The company made the initial payment of US\$ 5 million on legal completion on 31 January 2018, with the balance of US\$ 10 million due on 18 May 2018. At this time, management have not been able to ascertain the fair value of the assets acquired or the split with intangibles.

There have been no other significant subsequent events.

This information is provided by RNS
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