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HANSON

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you should consult your stockbroker, bank manager, solicitor or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred, or you sell or otherwise transfer, all of your holding of Existing Ordinary Shares held in certificated form prior to the ex-entitlement date, please send this Circular and the accompanying Application Form and Form of Proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was or is effected, for onward delivery to the purchaser or transferee, except that such documentation should not be sent into a Restricted Jurisdiction or other jurisdiction where doing so may constitute a violation of local securities laws or regulations. If you have sold or otherwise transferred, or you sell or otherwise transfer only some of your Existing Ordinary Shares held in certificated form before the ex-entitlement date you should immediately consult the stockbroker, bank or other agent through or by whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the Application Form. If you have sold or otherwise transferred, or you sell or otherwise transfer, some only or all of your holding of Existing Ordinary Shares held in an uncertificated form prior to the ex-entitlement date, a claim transaction will automatically be generated by Euroclear which, on settlement will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee through CREST.

Application will be made to the London Stock Exchange for the New Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Shares will commence at 8.00 a.m. on 11 May 2016.

Patagonia Gold Plc

(incorporated in England and Wales with registered number 3994744)

Proposed Subscription of 232,537,870 New Shares and Open Offer of 230,425,092 New Shares at 1.5 pence per share

Proposed approval of a waiver under Rule 9 of the City Code on Takeovers and Mergers

and

Notice of General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Senior Independent Non-Executive Director of the Company which contains a recommendation by the Directors that you vote in favour of the Share Authority Resolutions and a recommendation by the Independent Directors that you vote in favour of the Whitewash Resolution. In addition, your attention is drawn to Part II of this Circular entitled “Risk Factors relating to the Group”, which contains certain general and specific risks and uncertainties for the Group that should be considered by Shareholders when considering whether or not to make an investment in the Company.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent sterling amount) in aggregate and the Subscription Shares are only available to qualified investors for the purposes of the Prospectus Directive or otherwise in circumstances not resulting in an offer of transferable securities to the public under Section 102B of FSMA. Therefore, in accordance with Section 85 and Schedule 11A of FSMA, this Circular is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this Circular has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom, pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this Circular does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

Notice of a General Meeting of the Company to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.30 a.m. on 10 May 2016 is set out at the end of this Circular. Whether or not you intend to be present at the General Meeting you are urged to complete and return the enclosed Form of Proxy, in accordance with the

instructions printed thereon, so as to be received by the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH, as soon as possible and in any event by no later than 11.30 a.m. on 6 May 2016. Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting in person should they so wish.

Strand Hanson Limited ("Strand Hanson"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company in connection with the proposed Fundraising and the proposals described in this Circular and is not acting for any other person nor will it otherwise be responsible to any person for providing the protections afforded to customers of Strand Hanson, or for advising any other person in respect of the proposed Fundraising and the proposals described in this Circular. Strand Hanson's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of the Fundraising or any acquisition of Ordinary Shares. No representation or warranty, express or implied, is made by Strand Hanson as to any of the contents of this Circular (without limiting the statutory rights of any person to whom this Circular is issued). Strand Hanson has not approved the contents of, or any part of, this Circular and no liability whatsoever is accepted by Strand Hanson for the accuracy of any information or opinions contained in this Circular or for the omission of any information.

This Circular and (where applicable) the Application Form do not constitute an offer to sell or the solicitation of an offer to buy or subscribe for securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in or into the United States, Canada, Australia, the Republic of South Africa or Japan. Neither the Subscription Shares nor the Open Offer Shares nor any other Ordinary Shares have been or will be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of South Africa or Japan. In addition, such shares have not been and will not be registered under the United States Securities Act 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States of America and may not be offered or sold within the United States to, or for the account or benefit of, any US Person (as that term is defined in Regulation S under the Securities Act).

The distribution of this Circular, the accompanying Form of Proxy and the Application Form and/or the transfer of Open Offer Entitlements through CREST or otherwise in jurisdictions other than the United Kingdom may be restricted by applicable laws or regulations and this Circular and Application Form do not form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Open Offer Shares in any jurisdiction where such offer, invitation or solicitation is unlawful. Persons in jurisdictions other than the United Kingdom into whose possession this Circular comes should inform themselves about and observe any such applicable legal or regulatory requirements in such jurisdiction. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction.

Not all Shareholders will be Qualifying Shareholders. Subject to certain exceptions, Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any other Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form or otherwise be permitted to participate in the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 6 of Part IV of this Circular.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 9 May 2016. The procedure for application and payment for Qualifying Shareholders is set out in Part IV of this Circular, and, where relevant, in the accompanying Application Form.

Shareholders are advised to return the Application Form using the enclosed reply-paid envelope, which can also be used for return of completed Forms of Proxy.

FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements. These relate to the Company's and/or the Group's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "intend", "anticipate", "seek", "target", "may", "plan", "will" or the negative of those, variations of or comparable expressions, including by references to assumptions. The forward-looking statements in this Circular are based on current expectations and are subject to risks and uncertainties which could cause actual results to differ materially from those expressed or implied by those statements.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2016

Record Date for entitlements under the Open Offer	6.00 p.m. on 20 April
Announcement of the Fundraising	7.00 a.m. on 22 April
Existing Ordinary Shares marked 'ex-entitlement' by the London Stock Exchange	8.00 a.m. on 22 April
Publication and posting of this Circular, the Form of Proxy and, to Qualifying Non-Crest Shareholders only, the Application Form	22 April
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	8.00 a.m. on 25 April
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 3 May
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 4 May
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 5 May
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.30 a.m. on 6 May
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 9 May
General Meeting	11.30 a.m. on 10 May
Results of the General Meeting and the Fundraising expected to be announced	10 May
Admission and dealings in the Subscription Shares and Open Offer Shares expected to commence on AIM	8.00 a.m. on 11 May
Expected date for CREST accounts to be credited with Subscription Shares and Open Offer Shares in uncertificated form	11 May
Expected date for dispatch of share certificates in respect of Subscription Shares and Open Offer Shares to be issued in certificated form	by 18 May

Notes:

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

In order to subscribe for Open Offer Shares under the Open Offer, Qualifying Shareholders will need to follow the procedure set out in Part IV of this Circular and Qualifying Non-CREST Shareholders will need to complete the accompanying Application Form. If Qualifying Shareholders have any queries on the procedure for application, acceptance and payment under the Open Offer, or (in the case of Qualifying Non-CREST Shareholders) wish to request another Application Form, they should contact the Receiving Agent by post at Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by telephone on 0370 873 5856 (or +44 370 873 5856 if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the proposals described in this Circular nor give any financial, legal or tax advice.

Shareholders are advised to return the Application Form using the enclosed reply-paid envelope, which can also be used for return of completed Form of Proxy.

FUNDRAISING STATISTICS

Number of Existing Ordinary Shares	1,059,955,427
Issue Price per New Share	1.5 pence
Number of Subscription Shares being issued pursuant to the Subscription	232,537,870
Number of Open Offer Shares being issued pursuant to the Open Offer	230,425,092
Total number of New Shares being issued pursuant to the Fundraising	462,962,962
Enlarged Share Capital	1,522,918,389
Subscription Shares as a percentage of the Enlarged Share Capital	15.27%
Open Offer Shares as a percentage of the Enlarged Share Capital	15.13%
New Shares as a percentage of the Enlarged Share Capital	30.40%
Gross proceeds of the Subscription	£3.488 million
Gross proceeds of the Open Offer	£3.456 million
Gross proceeds of the Fundraising	£6.944 million
Expected market capitalisation of the Company on Admission at the Issue Price	£22.8 million
ISIN of the Open Offer Entitlements	GB00BD39V675
ISIN of the Excess Open Offer Entitlements	GB00BD39V899
ISIN of the Ordinary Shares following Admission	GB0003049409

COMPANY INFORMATION

Directors	Carlos J. Miguens Christopher van Tienhoven Gonzalo Tanoira Edward J. Badida Glenn Featherby Manuel de Prado	<i>(Non-Executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Finance Director)</i> <i>(Senior Independent Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i>
Company secretary	Nigel Everest	
Registered office	1 Finsbury Circus London EC2M 7SH	
Company registration number	3994744	
Nominated and financial adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ	
Broker	Cantor Fitzgerald Europe One Churchill Place London E14 5RB	
Solicitors to the Company	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH	
Registrars and Receiving Agents for the Open Offer	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6AH	

DEFINITIONS AND GLOSSARY

The following definitions and technical terms apply throughout this Circular, the accompanying Form of Proxy and (where applicable) the Application Form, 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 11 May 2016;
“Ag”	the chemical symbol for silver;
“AIM”	the AIM market of the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the AIM Rules for Companies (including the guidance notes) published by the London Stock Exchange from time to time;
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time;
“Application Form”	the personalised application form which accompanies this 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;
“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”	this document;
“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 Part I of this Circular;
“Concert Party Directors”	Carlos J. Miguens and Gonzalo Tanoira;
“Conditions”	the conditions, which are set out in full in this Circular, which have to be satisfied to enable the Subscription and the Open Offer

	to be completed in accordance with their terms and which include, <i>inter alia</i> , the passing of the Resolutions;
“CREST”	the electronic systems for the holding and transfer of shares in dematerialised form operated by Euroclear UK & Ireland Limited;
“CREST Manual”	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterpart Service Manual, the CREST Rules, the CREST Courier and Sorting Services Operations Manual, the Daily Timetable, the CREST Application Procedures and the CREST Glossary of Terms (as updated in November 2001);
“CREST member”	a person who has been admitted to CREST as a system member (as defined in the CREST Manual);
“CREST member account ID”	the identification code or number attached to a member account in CREST;
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
“CREST participant ID”	shall have the meaning given in the CREST Manual issued by Euroclear;
“CREST payment”	shall have the meaning given in the CREST manual issued by Euroclear;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“Directors” or “the Board”	the directors of the Company whose names are set out on page 6 of this Circular;
“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 1,059,955,427 Ordinary Shares in issue at the date of this Circular;
“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 accompanies this Circular;
“FSMA”	the UK Financial Services and Markets Act 2000 (as amended from time to time);
“Fundraising”	together, the Subscription and the Open Offer;
“g/t”	grammes per tonne;
“General Meeting”	the general meeting of the Company to be held at 11.30 a.m., on 10 May 2016 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH;
“Group”	the group of which the Company and its subsidiary undertakings are members;
“Independent Directors”	the Directors other than the Concert Party Directors;
“Independent Shareholders”	means the Shareholders, other than the members of the Concert Party;
“Indicated Resource”	that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation;
“Inferred Resource”	that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity;
“ISIN”	International Securities Identification Number;
“Issue Price”	1.5 pence per New Share;
“JORC”	the Joint Ore Reserves Committee: The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;
“London Stock Exchange”	London Stock Exchange plc;

“m ³ ”	Cubic metres;
“Measured Resource”	that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation where data and samples are gathered;
“member account ID”	the identification code or number attached to any member account in CREST;
“Mineral Resource”	a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling;
“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 is set out at the end of this Circular;
“Open Offer”	the conditional invitation made by the Company to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this 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 5 Open Offer Shares for every 23 Existing Ordinary Shares registered in their name as at the Record Date;
“Open Offer Shares”	230,425,092 new Ordinary Shares to be issued by the Company pursuant to the Open Offer subject, <i>inter alia</i> , to the passing of the Resolutions;
“Options”	the existing share options held by the Concert Party Directors over, in aggregate, 28,219,000 Ordinary Shares, further details of which are set out in paragraph 3.2 of Part VI of this Circular;
“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;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“PFS”	pre-feasibility study;
“Project”	the open pit mine and heap-leach facility at Cap-Oeste;
“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 20 April 2016;
“Registrars”, “Receiving Agent” or “Computershare”	Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6AH;
“Relationship Agreement”	the relationship agreement between Carlos J. Miguens, Cantomi, Strand Hanson and the Company dated 21 April 2016 as summarised in paragraph 6 of Part VI of this Circular;
“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”	232,537,870 new Ordinary Shares to be conditionally placed for cash pursuant to the Subscription Letter and whose allotment and issue is conditional, <i>inter alia</i> , on the passing of the Resolutions at the General Meeting;
“Trilogy”	Trilogy Mining Corporation;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“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;
“Warrants”	the existing warrants issued to Cinco Vientos, a member of the Concert Party, over, in aggregate, 7,227,237 Ordinary Shares, further details of which are set out in Part I of this Circular;
“Whitewash Resolution”	the ordinary resolution of the Independent Shareholders concerning the waiver of obligations under Rule 9 of the City Code to be proposed at the General Meeting in connection with the Concert Party’s participation in the Subscription and the Open Offer and set out in the Notice of General Meeting as the resolution numbered 1; and
“2014 Fundraising”	the subscription and open offer of, in aggregate, 182,688,427 Ordinary Shares at 4.5 pence per share which completed on 9 December 2014.

In this Circular:

- 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.

PART I

LETTER FROM THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Patagonia Gold Plc

(incorporated in England and Wales with registered number 3994744)

Directors:

Carlos J. Miguens *(Non-Executive Chairman)*
Christopher van Tienhoven *(Chief Executive Officer)*
Gonzalo Tanoira *(Finance Director)*
Edward J. Badida *(Senior Independent Non-Executive Director)*
Glenn Featherby *(Non-Executive Director)*
Manuel de Prado *(Non-Executive Director)*

Registered Office:

1 Finsbury Circus
London
EC2M 7SH

22 April 2016

To the Shareholders (and for information purposes only, to the holders of options over the ordinary shares)

**Proposed Subscription of 232,537,870 New Shares and
Open Offer of 230,425,092 New Shares at 1.5 pence per share**

Approval of a waiver under Rule 9 of the City Code on Takeovers and Mergers

and

Notice of General Meeting

1. Introduction

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

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

Although the Company has certain on-going Shareholder authorities taken at the annual general meeting of the Company held on 10 June 2015, these are not sufficient to implement the Fundraising and issue the Subscription Shares and the Open Offer Shares. Accordingly, the Company is seeking further Shareholder approval to grant the Directors authority to allot equity securities and to dis-apply statutory

pre-emption rights in respect of an allotment of equity securities for cash in connection with the Subscription and the Open Offer, as well as renew the general on-going Shareholder authorities.

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

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

Accordingly, on completion of the Fundraising:

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

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

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

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

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

The actions that you should take to vote on the Resolutions, and the recommendations of the Directors and the Independent Directors, are set out in paragraphs 13 and 16 of this Part I.

2. Current activities, trading and prospects

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

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

Projects

Lomada de Leiva, Province of Santa Cruz, Argentina

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

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

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

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

Cap-Oeste, Province of Santa Cruz, Argentina

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

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

Cap-Oeste Project

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

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

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

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

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

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

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

COSE, Province of Santa Cruz, Argentina

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

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

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

La Manchuria, Province of Santa Cruz, Argentina

The La Manchuria property block is located approximately 50 kilometres to the southeast of the El Tranquilo property block and hosts the La Manchuria project.

To date, the Company has completed three drilling campaigns for a total of 20,993 metres of diamond and reverse circulation drilling on this project.

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

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

Carreta Quemada and Chamizo, Uruguay

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

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

Current trading and prospects

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

During 2015, production at Lomada was impacted due to targeted material movements not being achieved, which resulted in production being negatively affected and costs increasing dramatically on a dollar per ounce basis to US\$1,196 per ounce as a result of increased local costs, the fixed exchange rate and lack of machine availability and longer than necessary importation delays resulting in excessive down time in 2015.

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

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

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

3. Background to and reasons for the Fundraising

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

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

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

4. Use of proceeds

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

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

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

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

5. Information on the Fundraising

5.1 *The Subscription*

The Company has conditionally raised gross proceeds of £3.49 million (approximately US\$5.02 million) through the issue by the Company of 232,537,870 Subscription Shares at the Issue Price, through the Subscription with Cantomi pursuant to the terms of the Subscription Letter. The Issue Price of 1.5 pence

represents a discount of approximately 8.0 per cent. to the closing mid-market price of 1.63 pence per Ordinary Share on 20 April 2016, the latest practicable date prior to the date of this Circular.

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

5.2 *The Open Offer*

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

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

5 Open Offer Shares for every 23 Existing Ordinary Shares

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

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

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

Excess Applications

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

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

Overseas Shareholders

Certain Overseas Shareholders may not be permitted to subscribe for Open Offer Shares pursuant to the Open Offer and should refer to paragraph 6 of Part IV of this 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 25 April 2016. The Excess Open Offer Entitlements will also be enabled for settlement in CREST on 25 April 2016. Applications through the CREST system will only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Admission, settlement and dealings

Application will be made to the London Stock Exchange for the Open Offer Shares, together with the Subscription Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in respect of the New Shares will commence at 8.00 a.m. on 11 May 2016. Further information in respect of settlement and dealings in the Open Offer Shares is set out in paragraph 7 of Part IV of this Circular.

Upon Admission:

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

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

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

5.3 City Code on Takeovers and Mergers

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

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

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

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

Rule 9 of the City Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company and acquires an

interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases his shareholding in that company.

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

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

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

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

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

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

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

Name	Number of Ordinary Shares interested in 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 ⁽⁵⁾	Number of Shares Fundraising ⁽⁵⁾	Total number of Ordinary Shares interested in upon Admission as a percentage of the Enlarged Share Capital ⁽⁵⁾	Number of Ordinary Shares interested in upon Admission as a percentage of the Enlarged Share Capital ⁽⁵⁾	Number of Option/Warrants held by Concert Party members ⁽²⁾⁽³⁾	Number of Ordinary Shares interested in following Admission and exercise of the Options and Warrants in full as a percentage of the further enlarged share capital ⁽⁶⁾	Number of Ordinary Shares interested in following Admission and exercise of the Options and Warrants in full as a percentage of the further enlarged share capital ⁽⁶⁾
Cantomi Uruguay SA ⁽¹⁾	210,529,171	19.86%	232,537,870	229,717,125	672,784,166	44.18%	24,500,000 ⁽²⁾	697,284,166	44.74%	
Carlos Miguens	3,256,651	0.31%	–	707,967	3,964,618	0.26%	–	3,964,618	0.25%	
Carlos Miguens Jr.	291,654	0.03%	–	–	291,654	0.02%	–	291,654	0.02%	
Maria Luisa Miguens	18,000,000	1.70%	–	–	18,000,000	1.18%	–	18,000,000	1.16%	
Cinco Vientos Uruguay SA	45,897,392	4.33%	–	–	45,897,392	3.01%	7,227,237 ⁽³⁾	53,124,629	3.41%	
Polinter SA	24,339,930	2.30%	–	–	24,339,930	1.60%	–	24,339,930	1.56%	
Cristina Miguens	24,485,645	2.31%	–	–	24,485,645	1.61%	–	24,485,645	1.57%	
Gonzalo Tanoira	4,832,191	0.46%	–	–	4,832,191	0.32%	–	4,832,191	0.31%	
Capifox SA ⁽⁴⁾	6,711,157	0.63%	–	–	6,711,157	0.44%	3,719,000 ⁽²⁾	10,430,157	0.67%	
Bárbara Tanoira	1,324,145	0.12%	–	–	1,324,145	0.09%	–	1,324,145	0.08%	
Leonor Tanoira	1,324,145	0.12%	–	–	1,324,145	0.09%	–	1,324,145	0.08%	
Santiago Tanoira	1,324,145	0.12%	–	–	1,324,145	0.09%	–	1,324,145	0.08%	
Concert Party aggregate total	342,316,226	32.30%	232,537,870	230,425,092	805,279,188	52.88%	35,446,237	840,725,425	53.95%	
Other Shareholders	717,639,201	67.70%	–	–	717,639,201	47.12%	–	717,639,201	46.05%	
Total	1,059,955,427	100.00%	232,537,870	230,425,092	1,522,918,389	100.00%	35,446,237	1,558,364,626	100.00%	

Notes:

- (1) Carlos J. Miguens is deemed to be beneficially interested in the Ordinary Shares held by Cantomi and accordingly, his current aggregate holding is 213,785,822 Ordinary Shares.
- (2) Options granted to Carlos J. Miguens (held through Cantomi) and Gonzalo Tanoira (held through Capifox), further details of which are set out in paragraph 3.2 of Part VI of this Circular.
- (3) Warrants issued pursuant to a warrant instrument dated 23 October 2012.
- (4) Gonzalo Tanoira is deemed to be beneficially interested in the Ordinary Shares held by Capifox and accordingly, his current aggregate holding is 11,543,348 Ordinary Shares.
- (5) Assuming no participation in the Open Offer by Qualifying Shareholders and that all Open Offer Shares are acquired by Carlos J. Miguens, as set out above. In the event that the Open Offer is fully subscribed and Cantomi receives no additional Open Offer Shares under the Excess Application Facility, the holding of Cantomi would be 488,834,252 Ordinary Shares and Carlos J. Miguens resulting aggregate holding would therefore be 492,798,870 Ordinary Shares representing approximately 32.36 per cent. of the Enlarged Share Capital and the Concert Party's aggregate holding would be 621,329,274 Ordinary Shares representing approximately 40.80 per cent. of the Enlarged Share Capital.
- (6) These figures reflect the assumptions set out in note (5) above, that there is no participation in the Open Offer by Qualifying Shareholders, and on the basis that all the Options and Warrants held by members of the Concert Party are exercised in full and that no other outstanding options or warrants are exercised. In the event that only Carlos J. Miguens exercises his Options, held through Cantomi, he would be interested in, in aggregate, 701,248,784 Ordinary Shares representing approximately 45.32 per cent. of the then enlarged share capital.

5.5 Information on each member of the Concert Party

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

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

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

Maria Luisa (Luisa) Miguens: Luisa is the sister of Carlos J. Miguens, and her occupation is an architect. Luisa is a shareholder of several companies in which her brothers and sister are also shareholders, including San Miguel, Sadesa and Intelligent Energy Holdings Limited, a fuel cell producer listed on the London Stock Exchange.

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

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

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

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

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

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

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

Santiago Tanoira: Santiago is the brother of Gonzalo Tanoira and is a polo player. Santiago is single and spends most of his time playing polo internationally. He is a shareholder in some of the companies where the rest of the family has invested.

5.6 *Related Party Transaction*

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

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

Note:

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

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

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

6. **Rule 9 Waiver and Whitewash Resolution**

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

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

Under Note 1 of the Notes on the Dispensations from Rule 9 of the City Code, the Panel may waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code if, *inter alia*, the

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 the Strand Hanson, consider the terms of the Rule 9 Waiver to be fair and reasonable and in the best interest of Independent Shareholders and the Company as a whole.

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

7. Potential voting rights of the Concert Party

7.1 *The Concert Party*

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

7.1.1 the Options and Warrants are exercised in full; and

7.1.2 no other options or convertibles are awarded or exercised and no other shares are issued,

the Company's issued share capital would increase to 1,558,364,626 Ordinary Shares.

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

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

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

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

7.2 *Carlos J. Miguens and Cantomi*

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

- only the Options held by Carlos J. Miguens through Cantomi are exercised in full; and
- no other options, warrants or convertibles are awarded or exercised and no other shares are issued,

the Company's issued share capital would increase to 1,547,418,389 Ordinary Shares.

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

In the event that Cantomi received no Open Offer Shares under the Excess Application Facility and on the basis of the above assumptions, Carlos J. Miguens maximum interest in Ordinary Shares (both directly and through Cantomi) would be, in aggregate, 517,298,870 Ordinary Shares and his aggregate holding would constitute approximately 33.43 per cent. of the then voting rights in the Company.

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

8. Independent advice

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

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

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

9. Intentions of the Concert Party

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

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

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

10. Relationship Agreement

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

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

10.2.1 that the Company is able to comply with the AIM Rules and will be carrying on an independent business as its main activity;

10.2.2 that all transactions and arrangements between the Group, Carlos J. Miguens, Cantomi and their respective associates are at arm's length and on normal commercial terms;

10.2.3 that Carlos J. Miguens, Cantomi and each of their associates will not take any action that would have the effect of preventing the Company from complying with its obligations under the AIM Rules, or propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the AIM Rules or the Disclosure and Transparency Rules; and

10.2.4 that the Board will manage the Company in the interests of the Shareholders as a whole.

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

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

11. General Meeting

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

The Resolutions can be summarised as follows:

11.1 Resolution 1, which will be proposed as an ordinary resolution, seeks the approval of the Independent Shareholders to waive the obligation on Carlos J. Miguens and the Concert Party which would otherwise arise under Rule 9 of the City Code as a result of the participation of Carlos J. Miguens in the Subscription and the Open Offer.

11.2 Resolution 2, which will be proposed as an ordinary resolution, is to authorise the Directors to allot relevant securities up to an aggregate nominal value of: (i) £4,629,629.62 in connection with the Subscription and the Open Offer; and (ii) otherwise for the allotment of equity securities up to an aggregate nominal amount of £5,076,394.63;

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

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

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

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

12. Taxation

12.1 *Introduction*

The following comments do not constitute tax advice and are intended only as a general guide to current UK law and HMRC's published practice as at the date of this document (both of which are subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK tax treatment of Shareholders and are intended to apply only to Shareholders who for UK tax purposes are resident in and, in the case of individuals, domiciled in the UK and to whom "split year" treatment does not apply. The comments apply only to Shareholders who are the absolute beneficial owners of their Ordinary Shares and the dividends payable on them and who hold their Ordinary Shares as investments (and not as securities to be realised in the course of a trade).

The comments below may not apply to certain categories of Shareholder such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation (or who hold their Ordinary Shares through an Individual Savings Account) and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of any office or employment. Such persons may be subject to special rules.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers.

12.2 *UK taxation of chargeable gains*

Ordinary Shares acquired pursuant to the Open Offer

As a matter of UK tax law, the acquisition of Open Offer Shares pursuant to the Open Offer may not, strictly speaking, constitute a reorganisation of share capital for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all Shareholders. HMRC's treatment of the Open Offer cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Open Offer.

To the extent that the acquisition of the Open Offer Shares pursuant to the Open Offer is treated as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains, the Open Offer Shares issued to a Shareholder will be treated as the same asset as, and as having been acquired at the same time as, the Shareholder's existing holding of Ordinary Shares. The price paid for the Open Offer Shares will be added to the base cost of Shareholder's existing holding of Ordinary Shares for the purpose of calculating any chargeable gain or allowable loss on a subsequent disposal.

To the extent that, under the Excess Application Facility, Open Offer Shares are acquired in excess of the Shareholder's Open Offer Entitlement, the acquisition will not be treated as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains.

If, or to the extent that, the acquisition of Open Offer Shares under the Open Offer is not regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains, the Open Offer Shares would generally be treated as having been acquired as part of a separate acquisition of shares, with the price paid for the Open Offer Shares being taken into account as their base cost.

Disposals of Ordinary Shares

A disposal or deemed disposal of Ordinary Shares by a UK resident Shareholder may, depending on the Shareholder's personal circumstances and subject to any exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

12.3 UK taxation of dividends

No withholding tax

The Company is not required to withhold UK tax when paying a dividend on the Ordinary Shares.

UK resident individual Shareholders

The UK Government has announced that, with effect from 6 April 2016, the taxation of dividend income for individuals is changing. Assuming that the relevant provisions of the Finance Bill 2016 (published in December 2015) are enacted in their current form, the 10 per cent. dividend tax credit which was previously available will be abolished and replaced with a new dividend allowance in the form of a zero per cent. tax rate on the first £5,000 of dividend income per year. In outline, UK resident individual Shareholders would, under the new rules, pay tax on any dividends received over the £5,000 allowance at the following rates:

- (a) 7.5 per cent. on dividend income within the basic rate band;
- (b) 32.5 per cent. on dividend income within the higher rate band; and
- (c) 38.1 per cent. on dividend income within the additional rate band.

Shareholders who are in any doubt as to how the new rules for taxation of dividends will affect them are strongly advised to consult their own professional advisers.

UK resident Shareholders within the charge to UK corporation tax

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of United Kingdom taxation of dividends) will not generally be subject to UK corporation tax on dividends paid by the Company on the Ordinary Shares.

Other Shareholders within the charge to UK corporation tax will not be subject to corporation tax on dividends paid by the Company on the Ordinary Shares so long as the dividends fall within an exempt class and certain conditions are met. Although it is likely that dividends paid by the Company on the Ordinary Shares would qualify for exemption from corporation tax, it should be noted that the exemption is not comprehensive and is subject to anti-avoidance rules. Shareholders should therefore consult their own professional advisers where necessary.

12.4 *UK stamp duty and stamp duty reserve tax*

No UK stamp duty or stamp duty reserve tax will be payable on the issue of New Shares pursuant to the Open Offer or the Subscription.

Provided that the New Shares are admitted to trading on a recognised growth market (which includes admission to trading on AIM) and not listed on any market or exchange, transfers of New Shares will not be subject to UK stamp duty or stamp duty reserve tax. Any agreement to transfer, or transfer of, New Shares (or any other Ordinary Shares) at a time when these conditions are not met may, depending on the circumstances, be subject to UK stamp duty or stamp duty reserve tax, generally at the rate of 0.5 per cent. of the consideration given (rounded up to the nearest £5 in the case of stamp duty).

13. **Action to be taken**

General Meeting

You will find enclosed with this Circular, a Form of Proxy for use at the General Meeting. Whether or not you intend to attend the General Meeting in person you are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible and in any event by no later than 11.30 a.m. on 6 May 2016. The completion and return of a Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.

Open Offer

If you are a Qualifying Non-CREST Shareholder you will have received an Application Form which gives details of your entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Open Offer Entitlement or both your Open Offer Entitlement and any Excess Open Offer Entitlement), you should complete the accompanying Application Form in accordance with the procedure for application set out in Part IV of this Circular and on the Application Form itself.

If you are a Qualifying CREST Shareholder and do not hold any Existing Ordinary Shares in certificated form, no Application Form is enclosed with this Circular and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of a Restricted Jurisdiction. Applications by Qualifying CREST Shareholders for Excess Open Offer Entitlements in excess of their Open Offer Entitlements should be made in accordance with the procedures set out in Part IV of this Circular, unless you are an Overseas Shareholder in which event, applications should be made in accordance with the procedures set out in Part IV of this Circular.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 9 May 2016. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your Open Offer Entitlements or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part IV of this Circular.

Shareholders are advised to return the Application Form using the enclosed reply-paid envelope, which can also be used for return of completed Forms of Proxy.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this Circular and the Open Offer.

If you are in any doubt as to what action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

14. Overseas Shareholders

It is the responsibility of any person receiving a copy of this Circular, the Open Offer Entitlements and/or the Application Form outside of the United Kingdom to satisfy himself/herself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such territory. Such persons should consult their professional advisers as to whether they require any governmental and/or other consents or need to observe any other formalities to enable them to take up their entitlements. Persons (including, without limitation, nominees and trustees) receiving this Circular, the Open Offer Entitlements and/or the Application Form should not, in connection with the Fundraising, distribute or send them into any jurisdiction when to do so would, or might, contravene local securities laws or regulations. Any person who does forward this Circular into any such jurisdictions should draw the recipient's attention to the contents of paragraph 6 of Part IV of this Circular regarding Overseas Shareholders. If you are an Overseas Shareholder, it is important that you read that part of this Circular.

15. Importance of vote

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

16. Recommendations

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

16.2 The Directors consider that the Fundraising is in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the Share Authority Resolutions (Resolutions 2 and 3) at the General Meeting as they intend to do in respect of their entire holdings which amount to interests in 229,100,220 Ordinary Shares, representing approximately 21.61 per cent. of Existing Ordinary Shares.

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

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

Edward J. Badida

Senior Independent Non-Executive Director

PART II

RISK FACTORS RELATING TO THE GROUP

The investment detailed in this Circular may not be suitable for all of its recipients and involves a number of risks. All the information set out in this Circular and, in particular, those risks relating to the Subscription and Open Offer described below should be carefully considered prior to making an investment decision. Accordingly, prospective investors are advised to consult a professional adviser duly authorised under the FSMA who specialises in advising on investments of the kind described in this Circular. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

The exploration for and development of natural resources is a speculative activity which involves a degree of risk. Accordingly, the Ordinary Shares should be regarded as a speculative investment and an investment in the Company should only be made by those with the necessary expertise to evaluate the investment fully.

In addition to the other relevant information set out in this Circular, the Directors consider that the following risk factors, which are not set out in any particular order of priority, are of particular relevance to the Group's activities and to any investment in the Company. It should be noted that additional risks and uncertainties not presently known to the Directors or which they currently believe to be immaterial may also have an adverse effect on the Group. If any of the circumstances identified in the risk factors were to materialise, the Company's business, financial condition and operating results could be materially affected and have a materially adverse impact on the value of the Group and should be taken into consideration when assessing the Company.

There can be no certainty that the Company will be able to implement successfully the strategy set out in this Circular. No representation is or can be made as to the future of the Group and there can be no assurance that the Group will achieve its objectives.

RISKS RELATING TO THE GROUP'S ACTIVITIES

The Group's mining licences and contracts

The Group's current exploration and mining operations are dependent upon the grant, renewal or continuance in force of appropriate surface and/or subsurface use contracts, licences, permits and regulatory approvals and consents which may be valid only for a defined time period, may be subject to limitations and may provide for withdrawal in certain circumstances. There can be no assurance that such surface and/or subsurface use contracts, licences, permits, regulatory approvals or consents would be granted, renewed or continue in force, or, if so, on what terms.

The Group's surface and/or subsurface use contracts and related working programmes contain a range of obligations on the Group, and there may be adverse consequences of breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the Group's surface and/or subsurface use licences and/or surface and/or subsurface use contracts.

Withdrawal of licences, termination of surface and/or subsurface use contracts or failure to secure requisite licences or the cession thereof or surface and/or subsurface use contracts in respect of any of the Group's operations may have a material adverse impact on the Group's business, operating results and financial condition.

Changes to the current political and regulatory environment in Argentina or any other markets in which the Group operates in the future may adversely affect the Group

The Group's exploration and development activities are and will continue to be conducted predominantly in Argentina. The political and economic conditions that currently exist in this country may change and national governments may adopt different policies with respect to foreign development and to ownership of natural resources at any time. Any changes in policy may result in changes in laws affecting the ownership of assets, licence tenure, taxation, royalties, exchange rates, environmental protection, labour relations, repatriation of income and return of capital. This may adversely affect both the Group's ability

to undertake exploration and development activities on future properties as well as its ability to continue to explore and develop those properties for which it has obtained exploration rights to date.

Regulatory changes, if any, in extraction or investment policies or shifts in political attitude may adversely affect the Group's operations and future profitability. Operations may be affected in varying degrees by Government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, capital controls being reinstated, currency remittance, income and other taxes, foreign investment, maintenance of claims, environmental legislation, water use, employment and contractor selection.

Exchange control regulations

Some of the territories in which the Group operates employ, or may employ in the future, exchange control regulations which may adversely affect the Group's ability to transfer funds in and from such territories, and therefore the Group's ability to carry on its operations in such territories.

The profitability of the Group's operations and the cash flows generated by these operations are significantly affected by changes in the market price for gold

The market price for gold can fluctuate widely. These fluctuations are caused by numerous factors beyond the Group's control, including: speculative positions taken by investors or traders in gold; changes in the demand for gold use in jewellery, for industrial uses and for investment; changes in the supply of gold from production, disinvestment, scrap and hedging; financial market expectations regarding the rate of inflation; the strength of the US dollar (the currency in which the gold price is denominated) relative to other currencies; changes in interest rates; actual or expected gold sales by central banks; gold sales by gold producers in forward transactions; global or regional political or economic events; and costs of gold production in major gold-producing nations, such as China, the United States, South Africa, Australia, Peru and Russia.

The price of gold is often subject to sharp, short-term changes resulting from speculative activities and general world economic events. While the overall supply of, and demand for, gold can affect its market price, because of the considerable size of above ground stocks of the metal, in comparison to other commodities, these factors typically do not affect the price to the extent that the supply of, and demand for, other commodities tends to affect their market prices.

If revenue from gold sales, including the effects of hedging or other derivative instruments, falls below the cost of production for an extended period, the Group will experience losses and may be forced to curtail or suspend some or all of its capital projects and/or operations. In addition, the Group would have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate cash and accounting reserves.

Information on reserves and resources

The Group's reported mineral resources and mineral reserves are reported in accordance with the Standards of Disclosure for Mineral Projects in Canada. There are numerous uncertainties inherent in estimating mineral resources, including factors beyond the control of the Group. The estimation of mineral resources and mineral reserves is a statistical process and the accuracy of any such estimation is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing, production, evaluation of mine plans and exploration activities subsequent to the date of any estimate may justify revision (up or down) of such estimates. There is no assurance that mineral resources or reserves can be economically mined.

Mineral resources that have not been converted to mineral reserves do not have demonstrated economic viability. A mineral resource is a statement of *in situ* mineralisation. Mineral reserves are a statement of resources that are considered as commercially mineable according to ruling economic parameters, including pricing, at the time.

Only a certain proportion of estimated mineral resources will be translated into reserves and recovered as the Group proceeds to production on its development and exploration sites. There is no guarantee

that they will be recovered at the volume, grade and rates estimated. The failure of the Group to achieve its production estimates is likely to have a material and adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral resource and reserve estimates, the accuracy of assumptions regarding mineral grades and recovery rates, ground conditions (including hydrology), physical characteristics of ores, such as hardness, the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining, ore haulage and processing.

Changes in the Group's capital costs and operating costs are likely to have a significant impact on its profitability. Its main planned production expenses will be mining contracting costs, transport costs, treatment costs and overheads. Changes in costs of the Group's mining and processing operations can occur as a result of unforeseen events and could result in changes in profitability or resource estimates, including rendering certain mineral resources uneconomic to mine. Many of these changes may be beyond the Group's control.

The volume and grade of the ore the Group recovers may not conform to current expectations. Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's mineral resources and mineral reserves uneconomic to exploit and may result in revision of its mineral reserve estimates from time to time. Mineral reserve data is not necessarily indicative of future results of operations. If the Group's actual mineral reserves are less than current estimates, the Group's results of operations and financial condition may be materially impaired.

Third party contractors and providers of capital equipment can be scarce

The Group contracts or leases services and capital equipment from third party providers. Such equipment and services can be scarce and may not be readily available at times and places required. In addition, costs of third party services and equipment have increased significantly over recent years and may continue to rise. Scarcity of equipment and services and increased prices may in particular result from any significant increase in exploration and development activities on a region by region basis which might be driven by high demand for gold or other minerals. In some of the regions in which the Group operates there is significant demand for capital equipment and services. The unavailability of, or high costs incurred to obtain, such services and equipment could result in a delay or restriction in the Group's projects and adversely affect the feasibility and profitability of such projects and therefore have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Uncertainty and cost of mineral exploration and acquisitions

As part of its mine development, Patagonia Gold must undertake exploration activities in order that it can fully understand the geology across its mining and prospecting rights areas and successfully develop the mining operations to fully exploit its resources. Exploration activities are speculative and are often unproductive. These activities also often require substantial expenditure to establish gold resources or reserves through drilling and metallurgical and other testing techniques, determine appropriate recovery processes to extract gold from the ore and construct, renovate or expand mining and processing facilities.

Once gold mineralisation is discovered it can take several years to determine whether gold reserves exist. During this time the economic viability of production may change. The Group may consider from time to time the acquisition of gold reserves, development properties and operating mines, either as stand-alone assets or as to be integrated into existing Group companies or operations. Its decisions to acquire these properties will be based on a variety of factors including historical operating results, estimates of and assumptions about future reserves, cash and operating costs, the gold price and projected economic returns and evaluations of existing or potential liabilities associated with each property and its operations. Other than historical operating results, all of these parameters may differ significantly from the Group's estimates and assumptions.

Mining companies are subject to extensive health, safety and environmental laws and regulations

Gold mining operations are subject to a variety of industry-specific health and safety laws and regulations depending upon the jurisdiction in which they are located. These laws and regulations are formulated to improve and to protect the safety and health of employees. Should compliance with any

new standards require a material increase in expenditure or material interruptions to production, the Group's results in respect of operations and financial condition may be adversely affected.

Mining companies are also subject to extensive environmental laws and regulations in the various jurisdictions in which they operate. These regulations establish limits and conditions on companies' ability to conduct their operations. The cost of the Group's compliance with environmental laws and regulations has been, and is expected to continue to be, significant. Environmental laws and regulations are continually changing and are generally becoming more restrictive. If environmental compliance obligations alter as a result of changes in laws and regulations, or in certain assumptions on the basis of which the Group estimates liabilities, or if unanticipated conditions arise at the Group's operations, expenses and provisions would increase. If material, these expenses and provisions could adversely affect the Group's results and financial condition.

Mining companies are required to close their operations and rehabilitate the lands that they mine in accordance with environmental laws and regulations. Estimates of the total ultimate closure and rehabilitation costs for gold mining operations are significant. Environmental liabilities are accrued when they become known, probable and can be reasonably estimated. Regulators are continuously reviewing these regulations and any amendments could result in additional financial guarantees being required, negatively impacting on Group working capital. Costs associated with rehabilitating land disturbed by the mining processes and addressing the environmental, health and community issues are estimated and financial provision made based upon information available currently.

Estimates may however, be insufficient and further environmental issues may be identified at any stage. Any underestimated or unidentified rehabilitation costs would reduce earnings and could materially and adversely affect the Group's asset values, earnings and cash flows.

Security risks and loss control issues

Whilst mine security and loss control procedures have been implemented, the risk remains of illegal mining, theft, threats to mine workers' lives and safety as well as industrial espionage, information loss and the loss of the operational efficiency of the mine.

Risks relating to the gold mining industry

Patagonia Gold is the limited holding company for a group of companies engaged in gold mining and exploration activities. Gold mining companies face many risks related to their operations (including their exploration and development activities) that may affect their cash flows and overall profitability.

Production of gold

Gold mining is susceptible to numerous events that may have an adverse impact on the Group's business, as well as the Group's ability to produce gold and to meet its production targets. The material risks faced by the Group are:

- environmental hazards, including discharge of metals, pollutants or hazardous chemicals;
- industrial accidents;
- underground fires;
- labour disputes;
- activities of illegal or artisanal miners;
- mechanical breakdowns;
- electrical power interruptions;
- encountering unexpected geological formations;
- unanticipated ground and water conditions;
- unanticipated increases in gold lock-up and inventory levels at the Group's metallurgical operations;
- fall-of-ground accidents in underground operations;

- legal and regulatory restrictions and changes to such restrictions;
- safety-related stoppages;
- seismic activity; and
- other natural phenomena, such as floods or inclement weather conditions.

GENERAL BUSINESS RISKS RELATING TO THE GROUP

Estimates in financial statements

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires the Group to use its judgment to determine the amount to be recorded in its financial statements in connection with these estimates. The Group's accounting policies regarding exploration and evaluation require management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of ore reserves or mineral resources have been found. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Group could be required to write down the value of certain assets. On an on-going basis, the Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

Holding company structure and restrictions on dividends

The Company's operating results and its financial condition are dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. The Group's members may, from time to time, be subject to restrictions on their ability to make distributions to the Company, as a result of factors such as restrictive covenants contained within loan agreements, foreign exchange limitations and regulatory or fiscal restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group's business, operating results and financial condition.

The Company has not, since the date of its incorporation, declared or paid any dividends on its Ordinary Shares, and does not yet have a policy with respect to the payment of dividends. The Company does not plan to pay cash dividends on its Ordinary Shares for the foreseeable future although this will be reviewed periodically by the Board.

Uninsured risks

It is not always possible to obtain insurance against all risks facing the Group and the Group may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Group or to other companies in the mining industry on acceptable terms. Although the Group maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the Ordinary Shares.

Working capital

The Company may need to raise additional funds in the future in order to develop further exploration and development programmes. Whether as a result of fluctuating market conditions, lack of market interest in the Company's industry sector or otherwise, this additional financing may not be available to the Company on acceptable terms. Additional equity financing may be dilutive to Shareholders, while debt financing may involve restrictions on the Company's financing and operating activities or may not be available at reasonable cost. If the Company is unable to raise additional funds as needed, the scope of its operations may be reduced and or its interest in concessions may be diluted or may expire and, as a result, the Company may be unable to fulfil its medium to long-term exploration and development programme.

Currency risks

Currency fluctuations may affect the Group's revenue from its operations. The Group's revenue from gold sales, the Subscription and Open Offer and other financing activities will be received in pounds sterling and US dollars, while a significant portion of its operating expenses will be incurred in other currencies, particular that of Argentina. Accordingly, foreign currency fluctuations may adversely affect the Group's financial position and operation results.

As the Group does not currently use commodity or derivative instruments to protect against a fall in gold prices, the Group is exposed to the impact of any significant drop in the gold price.

The Group currently sells its gold production at market prices and has not entered into forward sales, derivative or other hedging arrangements to establish a price in advance for the sale of its future gold production. In general, hedging in this manner reduces the risk of exposure to a fall in the gold price. As the Group does not currently enter into transactions to hedge against the future price at which its gold production is sold and does not expect to in the near future, the Group can realise the positive impact of any increase in the gold price. However, this also means that the Group is not protected against decreases in the gold price and, if the gold price decreases significantly, the Group's revenues will be materially adversely affected.

Labour unions

As at the date of this Circular, the majority of the Group's employees are members of a recognised labour union, and accordingly, the Group is subject to collective bargaining agreements with such labour unions.

Risks associated with the need to maintain an effective system of internal controls

The Group faces risks frequently encountered by developing companies such as under-capitalisation, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to key personnel

The Group's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Group must attract and retain additional highly qualified management and technical personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors.

Litigation

While the Group currently has no material outstanding litigation or dispute, there can be no guarantee that the current or future actions of the Group will not result in litigation since there have been a number of cases where the rights and privileges of mining companies have been the subject of litigation. The mining industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation may be brought against the Group in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results or operations. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

Competition

Whilst the Group will not experience competition for its sales, as gold is a worldwide commodity, it may encounter competition in identifying and acquiring exploration and development rights for attractive gold properties in Argentina.

For the Group to expand its operations, it is likely to face competition from both domestic gold mining companies in Argentina and any international gold mining companies which already have significant operations in the country, together with potential new entrants into such market, any of which might have greater financial, technological and other resources than the Group.

There is a high degree of competition for the discovery and acquisition of properties considered to have a commercial potential. The Group competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Changes to Credit Ratings

Any downgrading of prevailing debt rating by an international rating agency could have a negative impact on the Group.

Any adverse revision to the prevailing credit rating for domestic and international debt by any of the international rating agencies may adversely impact the Group's ability to raise future project financing and the interest rates and other commercial terms at which such additional financing may be available. This could have an adverse effect on the Group's financial performance and its ability to obtain financing to fund its growth on favourable terms or at all.

Force Majeure

Patagonia Gold's projects now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Acts of God

Acts of God such as natural disasters are beyond the control of the Group and may adversely affect the economy, infrastructure and livelihood of people in the countries in which the Group is operating or proposing to operate. The Group's business and profitability may be adversely affected should such acts of God and/or outbreaks occur and/or continue.

Risks relating to the Subscription and Open Offer and the New Shares

Share price volatility and liquidity

There can be no assurance that an active or liquid trading market for the Ordinary Shares will be available or maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List of the UKLA or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List of the UKLA and the share price may be subject to greater fluctuations than might otherwise be the case. The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, the performance of the Company and the overall stock market, changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; changes to mineral resource and reserve statements; additions or departures of key personnel; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of Ordinary Shares; and stock market price and volume fluctuations, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company.

Shareholders may sell their New Shares in the future to realise their investment. Sales of substantial amounts of New Shares following Admission or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Ordinary Shares may decline below their current market price.

Risks relating to Resolutions not being passed

If the Resolutions are not passed, the Company will not be able to proceed with the Fundraising in the form currently envisaged.

Resolutions 1 and 2 to be proposed at the General Meeting will be proposed as ordinary resolutions. Resolution 1 will be taken on a poll at the General Meeting and, in order to be passed, will require the approval of a simple majority of the total voting rights of the Independent Shareholders who (being entitled to do so) vote on such resolution at the General Meeting in person or by proxy. In order to be passed, Resolution 2 will require the approval of a simple majority of the Shareholders who (being entitled to do so) vote on such resolution at the General Meeting in person or by proxy.

Resolution 3 to be proposed at the General Meeting will be proposed as a special resolution and, to be passed, will require the approval of not less than 75 per cent. of the total voting rights of Shareholders who (being entitled to do so) vote on such resolution at the General Meeting in person or by proxy.

The Subscription and the Open Offer are conditional, *inter alia*, on the passing of the Resolutions.

In the event that the Resolutions are not passed, the Company will not be able to proceed with the Subscription and Open Offer in the form currently envisaged, with the result that the anticipated net proceeds of the Subscription and Open Offer will not become available to fund proposed upcoming expenditure and achieve the objectives currently pursued by the Board. The Group's business plan and growth prospects may be materially adversely affected as a result.

Additionally, in the event that it is unable to proceed with the Subscription and Open Offer in the form currently envisaged, given its anticipated working capital requirements in 2016/2017 and in order to fund proposed upcoming expenditure on, *inter alia*, development of the Cap-Oeste Project and more generally to pursue its business plan, the Group may seek alternative equity and/or debt financing on whatever terms are available to it, which may result in greater dilution of the Existing Ordinary Shares and/or in the Company incurring significant indebtedness. Such equity or debt financing may not be made available on terms that are as favourable to the holders of the Existing Ordinary Shares as those envisaged in the Subscription and Open Offer, or at all.

Shareholders' proportionate ownership and voting interest in the Company will be reduced pursuant to the Subscription. Shareholders' proportionate ownership and voting interest in the Company will be further reduced pursuant to Open Offer to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer. Subject to certain exceptions, Shareholders in the United States, Canada and other Restricted Jurisdictions will not be able to participate in the Open Offer.

Pre-emptive rights may not be available for non-UK holders of Ordinary Shares

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are entitled to statutory pre-emption unless such rights are waived by a special resolution of the Shareholders at a general meeting (as proposed in respect of the Subscription and Open Offer) and such an issue could dilute the interests of the then existing Shareholders. To the extent that pre-emptive rights apply in respect of future issue of Ordinary Shares by the Company for cash, certain non-UK holders of Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations or an exemption from the registration requirements thereunder is available.

General economic conditions

Market conditions, particularly those affecting resource companies, may affect the ultimate value of the Company's share price regardless of operating performance. The Company could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or changes in government legislation or policy. Market perception of resource companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by an issue of further shares in the Company. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining any debt financing.

Investment risk

The value of an investment in the Company could, for a number of reasons go up or down. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

Share options

The Company has issued options to certain employees, Directors and senior management of the Group. The exercise of any such share options would result in a dilution of the shareholdings of other investors.

Forward-looking statements

This Circular contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, contained in this Circular, including statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this Circular use words like "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and similar terms. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described in this paragraph and elsewhere in this Circular. Investors are urged to read this entire document carefully before making an investment decision. The forward-looking statements in this Circular are based on the relevant Directors' beliefs and assumptions and information only as of the date of this Circular, and the forward-looking events discussed in this Circular might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Group.

If any of the risks referred to above crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.

Investors should consider carefully whether an investment in Patagonia Gold is suitable for them in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

This list should not be considered an exhaustive statement of all potential risks and uncertainties.

PART III

FINANCIAL INFORMATION ON THE COMPANY

The following documents are incorporated by reference into this Circular, so as to provide the information required pursuant to the City Code:

- (i) the consolidated audited accounts for the Company for the financial year ended 31 December 2014; and
- (ii) the consolidated audited accounts for the Company for the financial year ended 31 December 2015.

These documents are available on the Company's website at <http://ir.patagoniagold.com/> and from the Company's registered office at 1 Finsbury Circus, London EC2M 7SH.

Any Shareholder, person with information rights or other person to whom this Circular is sent may request a copy of each of the documents set out above in hard copy form. Hard copies will only be sent where valid requests are received from such persons. To request a hard copy, please contact Nigel Everest of Patagonia Gold at neverest@patagoniagold.com or on +44 (0)20 7458 4100.

The documents incorporated by reference into this Circular have been incorporated in compliance with Rule 24.15 of the City Code.

PART IV

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

As explained in the letter from the Senior Independent Non-Executive Director of Patagonia Gold set out in Part I of this Circular, the Company is proposing to issue 232,537,870 Subscription Shares and 230,425,092 Open Offer Shares at the Issue Price, to raise, in aggregate, approximately £6.94 million (approximately US\$10.00 million) before expenses.

Upon completion of the Open Offer, the Open Offer Shares will represent approximately 15.13 per cent. of the Enlarged Share Capital and together the Subscription Shares and the Open Offer Shares will represent approximately 30.40 per cent. of the Enlarged Share Capital.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 6.00 p.m. on 20 April 2016.

Application Forms have been posted to Qualifying Non-CREST Shareholders on along with this Circular and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 25 April 2016.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for further Open Offer Shares. Further details in relation to the Excess Application Facility are set out in paragraph 4.1.4 below and, for Qualifying Non-CREST Shareholders, the Application Form.

The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 9 May 2016 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. 11 May 2016, following the passing of the Resolutions at the General Meeting to be held on 10 May 2016.

This Circular and, for Qualifying Non-CREST Shareholders only, the Application Form contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part IV which gives details of the procedure for application and payment for the Open Offer Shares and any additional shares applied for pursuant to the Excess Application Facility.

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with the Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Company is proposing to issue 230,425,092 Open Offer Shares at the Issue Price subject to Admission, in respect of valid applications by Qualifying Shareholders. Application will be made to the London Stock Exchange for the Subscription Shares and Open Offer Shares to be admitted to trading on AIM.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 230,425,092 Open Offer Shares at the Issue Price in accordance with the terms of the Open Offer. Qualifying Shareholders are also being offered the opportunity to apply for additional Open Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full.

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 Open Offer Entitlements, as well as to apply, through Cantomi, for all of the remaining Open Offer Shares under the Excess Application Facility.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to the ex-entitlement date is advised to consult his/her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation

to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchaser(s) under the rules of the London Stock Exchange.

2. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to apply for any number of Open Offer Shares at the Issue Price, for an aggregate of 230,425,092 Open Offer Shares, raising gross proceeds of £3.46 million (approximately US\$4.98 million). The Issue Price represents a discount of approximately 8.0 per cent. to the closing middle market price of 1.63 pence per Ordinary Share on 20 April 2016 (being the latest practicable date prior to the date of this Circular).

Fractions of Open Offer Shares will not be allotted to Shareholders in the Open Offer and entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box A).

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Open Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in this Part IV and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Part IV for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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.

Please refer to paragraphs 4.1.4 and 4.2.10 of this Part IV for further details of the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Any Open Offer Shares which are not applied for by Qualifying Shareholders under their Open Offer Entitlements will be issued to Qualifying Shareholders who have made an application for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility, with the proceeds retained for the benefit of the Company. 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 Open Offer Entitlements, as well as to apply, through Cantomi, for all of the remaining Open Offer Shares under the Excess Application Facility.

Application will be made for the Open Offer Entitlements and Excess CREST Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts as soon as possible after 8.00 a.m. on 25 May 2016.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the other issued Ordinary Shares of the Company. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

3. Conditions and further terms of the Open Offer

The Open Offer is conditional upon, *inter alia*, the approval of the Resolutions at the General Meeting, completion of the Subscription and Admission becoming effective by not later than 8.00 a.m. on 11 May 2016 (or such later time and/or date as the Company may determine, not being later than 8.00 a.m. on 31 May 2016).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 18 May 2016. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST as soon as possible after 8.00 a.m. on 11 May 2016.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 11 May 2016, when dealings in the Open Offer Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be credited to a non-interest bearing account by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this Circular, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

4. Procedure for application and payment

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you have an Application Form in respect of your Open Offer Entitlement under the Open Offer or you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your CREST stock account.

Qualifying Shareholders who hold all their Existing Ordinary Shares in certificated form have been sent an Application Form with this Circular on 22 April 2016. The Application Form shows the number of Existing Ordinary Shares held on the Record Date. It will also show Qualifying Shareholders the number of Open Offer Shares available under their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Open Offer Shares in CREST. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2 of this Part IV.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST.

CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE message through CREST.

4.1 *If you have an Application Form in respect of your Open Offer Entitlements under the Open Offer*

4.1.1 *General*

Subject as provided in paragraph 6 of this Part IV in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box A. It also shows the Open Offer Entitlement allocated to them set out in Box B. Entitlements to Open Offer Shares are rounded down to the nearest whole number and fractional Open Offer Entitlements have therefore also been rounded down. Box C shows how much they would need to pay if they wish to take up their Open Offer Entitlements in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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.

The instructions and other terms set out in the Application Form forms part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

4.1.2 *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 5 May 2016. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his/her holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his/her broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box J on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States or any Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 4.2.2 below.

4.1.3 *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for additional Open Offer Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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.

Completed Application Forms should be posted in the accompanying pre-paid envelope or returned by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE together with a cheque or banker's draft for the full amount payable in respect of the number of Open Offer Shares applied for, so as to be received by the Receiving Agent by no later than 11.00 a.m. on 9 May 2016, after which time Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four working days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques may be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Qualifying Non-CREST Shareholder has title to the underlying funds. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer may not be accepted.

If cheques or banker's drafts are presented for payment before the conditions of the Subscription and Open Offer are fulfilled, the application monies will be credited to a non-interest bearing account by the Receiving Agent. If the Subscription and Open Offer do not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Subscription and Open Offer.

The Company may at its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 9 May 2016; or

- (ii) applications in respect of which remittances are received before 11.00 a.m. on 9 May 2016 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form(s) in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-Crest Shareholder and such Qualifying Non-Crest Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-Crest Shareholder's application is subsequently otherwise deemed to be invalid, the Registrar shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-Crest Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Registrar, Strand Hanson, or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-Crest Shareholders.

4.1.4 *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Open Offer Shares in excess of their Open Offer Entitlement.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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 Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Subscription and Open Offer become unconditional and applications for Open Offer Shares exceed the total number of Open Offer Shares available following take up of Open Offer Entitlements, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for excess Open Offer Shares under the Excess Application Facility and from whom payment in full for excess Open Offer Shares has been received will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

4.1.5 *Effect of application*

By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his/her rights, and perform his/her obligations under any contracts resulting therefrom and that he/she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company that all applications under the Open Offer and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company that in making the application he/she is not relying on any information or representation in relation to Patagonia Gold other than that contained in this Circular, and the applicant accordingly agrees that no person responsible solely or jointly for this Circular or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the

opportunity to read this Circular, he/she will be deemed to have had notice of all information in relation to Patagonia Gold contained in this Circular;

- (iv) represents and warrants to the Company that he/she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he/she received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (v) represents and warrants to the Company that if he/she has received some or all of his/her Open Offer Entitlements from a person other than Patagonia Gold he/she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) requests that the Open Offer Shares, to which he/she will become entitled be issued to him/her on the terms set out in this Circular and in the Application Form;
- (vii) represents and warrants to the Company that he/she is not, nor is he/she applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he/she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his/her application in the United States or to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he/she is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a nondiscretionary basis nor (b) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (viii) represents and warrants to the Company that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (ix) confirms that in making the application he/she is not relying and has not relied on Patagonia Gold or any person affiliated with Patagonia Gold in connection with any investigation of the accuracy of any information contained in this Circular or his/her investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or you can contact the Receiving Agent on 0370 873 5856 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 370 873 5856 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes.

Please note the Receiving Agent cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or give any financial, legal or tax advice.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

A Qualifying Non-CREST Shareholder who is also a CREST member may elect to receive the Open Offer Shares to which he/she is entitled in uncertificated form in CREST.

Please see paragraph 4.2.5 below for more information.

4.2 *If you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer*

4.2.1 *General*

Subject as provided in paragraph 6 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his/her stock account in CREST of his/her Open Offer Entitlements and Excess CREST Open Offer Entitlements equal to ten times his/her holding of Existing Ordinary Shares on the Record Date. This is not a cap on the amount of Excess CREST Open

Offer Entitlements that a Qualifying CREST Shareholder can take up. Qualifying CREST Shareholders should contact the Receiving Agent on 0370 873 5856 (or +44 370 873 5856 if calling from outside the United Kingdom) should they wish to apply for additional Excess CREST Open Offer Entitlements. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 25 May 2016, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his/her stock account in CREST. In these circumstances the expected timetable as set out in this Circular will be adjusted as appropriate and the provisions of this Circular applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to take-up some or all of their entitlements to Open Offer Shares and apply for Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent on telephone number 0370 873 5856 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 370 873 5856 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes.

Please note the Receiving Agent cannot provide financial, legal or tax advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or apply for Excess CREST Open Offer Entitlements. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

4.2.2 *Market claims*

Each of the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

4.2.3 *Unmatched Stock Event (“USE”) instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

4.2.4 *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BD39V675;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 8RA23;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is PATAGONI;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 9 May 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 9 May 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 9 May 2016 in order to be valid is 11.00 a.m. on that day.

In the event that the Subscription and Open Offer do not become unconditional by 8.00 a.m. on 11 May 2016 or such later time and date as the Company determines (being no later than 8.00 a.m. on 31 May 2016), the Subscription and Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

4.2.5 *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BD39V899;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;

- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 8RA23;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is PATAGONI;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 9 May 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 9 May 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 9 May 2016 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 9 May 2016 or such later time and date as the Company determines (being no later than 8.00 a.m. on 31 May 2016), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

4.2.6 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his/her Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up such entitlements prior to 11.00 a.m. on 9 May 2016. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Registrar.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 4 May 2016 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 3 May 2016 in either case so as to enable the person

acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 9 May 2016.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed “Instructions for depositing entitlements under the Open Offer into CREST” on page 2 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

4.2.7 *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 9 May 2016 will constitute a valid application under the Open Offer.

4.2.8 *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 9 May 2016.

In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.2.9 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

4.2.10 *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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 CREST Shareholders will receive a credit to his/her stock account in CREST of Excess CREST Open Offer Entitlements equal to ten times his/her holding of Existing Ordinary Shares on the Record Date. This is not a cap on the amount of Excess CREST Open Offer Entitlements that a Qualifying CREST Shareholder can take up. Qualifying CREST Shareholders should contact the Receiving Agent on 0370 873 5856 (or +44 370 873 5856 if calling from outside the United Kingdom) should they wish to apply for additional Excess CREST Open Offer Entitlements.

To apply for excess Open Offer Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his/her Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Subscription and Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed the total number of Open Offer Shares available following take up of Open Offer Entitlements, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to his/her Excess CREST Open Offer Entitlements and from whom payment in full for the excess Open Offer Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant’s sole risk. Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

4.2.11 *Effect of a valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his/her rights, and perform his/her obligations, under any contracts resulting therefrom and that he/she is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent’s payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms that in making the application he/she is not relying on any information or representation in relation to Patagonia Gold other than that contained in this Circular, and the applicant accordingly agrees that no person responsible solely or jointly for this Circular or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this Circular, he/she will be deemed to have had notice of all the information in relation to Patagonia Gold contained in this Circular;

- (v) represents and warrants that he/she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he/she has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) represents and warrants that if he/she has received some or all of his/her Open Offer Entitlements from a person other than Patagonia Gold, he/she is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (vii) requests that the Open Offer Shares to which he/she will become entitled be issued to him/her on the terms set out in this Circular, subject to the memorandum of association and articles of association of the Company;
- (viii) represents and warrants that he/she is not, nor is he/she applying on behalf of any Shareholder who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he/she is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his/her application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he/she is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (b) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (ix) represents and warrants that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (x) confirms that in making the application he/she is not relying and has not relied on Patagonia Gold or any person affiliated with Patagonia Gold in connection with any investigation of the accuracy of any information contained in this Circular or his/her investment decision.

4.2.12 *Company's discretion as to the rejection and validity of applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this paragraph the "first instruction") as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

4.2.13 *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 11 May 2016 or such later time and date as the Company may determine (being no later than 31 May 2016), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

5. Money laundering regulations

5.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “acceptor”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5 the “relevant Open Offer Shares”) shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Receiving Agent from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than € 15,000 (approximately £12,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out on page 6 of this Circular.

To confirm the acceptability of any written assurance referred to above, or in any other case, the acceptor should contact the Receiving Agent. The telephone number of the Receiving Agent is 0370 873 5856 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 370 873 5856 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (approximately £12,000) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address. If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 9 May 2016, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Registrar may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 *Open Offer Entitlements in CREST*

If you hold your Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of some or all of your Open Offer Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken. Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer

Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. Overseas Shareholders

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 General

The distribution of this Circular and the Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company or any other person, to permit a public offering or distribution of this Circular and the Application Form (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this Circular and/or the Application Form must be treated as sent for information purposes only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. No person receiving a copy of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this Circular and/or the Application Form must be treated as sent for information purposes only and should not be copied or redistributed. It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory. Neither the Company nor any of its representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or

send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this Circular and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and/or Strand Hanson determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this Circular and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IV and specifically the contents of this paragraph 6. The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates for the Open Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to this paragraph 6. Notwithstanding any other provision of this Circular or the relevant Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question. Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements. No public offer of Open Offer Shares is being made by virtue of this Circular or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this Circular and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this Circular and/or the Application Form must be treated as sent for information purposes only and should not be copied or redistributed.

6.2 *United States*

The Open Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this Circular nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Shares in the United States. Subject to certain exceptions, neither this Circular nor an Application Form will be sent to, and no Open Offer Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration of the Open

Offer Shares issued upon exercise thereof outside the United States. Subject to certain exceptions, any person who acquires Open Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Circular or the Application Form and delivery of the Open Offer Shares, that they are not, and that at the time of acquiring the Open Offer Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a nondiscretionary basis in the United States or any state of the United States. The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of Open Offer Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to allot or issue any Open Offer Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any Open Offer Shares may be transferred. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Open Offer Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the Open Offer Shares within the United States by a dealer (whether or not participating in the Subscription and Open Offer) may violate the registration requirements of the Securities Act.

6.3 *Restricted Jurisdictions*

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption. No offer of Open Offer Shares is being made by virtue of this Circular or the Application Form into any Restricted Jurisdiction.

6.4 *Other overseas territories*

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this Circular and the Application Form.

Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

6.5 *Representations and warranties relating to Overseas Shareholders*

6.5.1 *Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and the Registrar that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application

Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates for the Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this paragraph 6.5.1.

6.5.2 *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part IV represents and warrants to the Company and Strand Hanson Limited that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any Restricted Jurisdiction; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

6.6 *Waiver*

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 10 May 2016. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Fundraising becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 11 May 2016. The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST. Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 9 May 2016 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 11 May 2016, the Registrar will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 11 May 2016). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this Circular, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated

form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST. For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for (including excess Open Offer Shares successfully applied for under the Excess Application Facility) are expected to be despatched by post by 18 May 2016. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non CREST Shareholders are referred to paragraph 4.1 above and their respective Application Form.

8. Times and dates

The Company shall, after consultation with its financial and legal advisers, be entitled to amend the date that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this Circular and in such circumstances make an announcement on a Regulatory Information Service approved by the Board but Qualifying Shareholders may not receive any further written communication.

9. Further information

Your attention is drawn to the further information set out in this Circular and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

10. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this Circular, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this Circular or the Application Form. By taking up Open Offer Shares, whether by way of their Open Offer Entitlement or through the Excess Application Facility (as applicable), in accordance with the instructions set out in this Circular and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART V

QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part V are intended to be in general terms only and, as such, you should read Part IV of this Circular for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is duly authorised under the FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser. This Part V deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV of this Circular and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this Circular for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Shareholder helpline on 0370 873 5856 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 370 873 5856 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes. Please note the Shareholder helpline will be open between 8.30 a.m. to 5.30 p.m. on any Business Day. Please note that, for legal reasons, the Shareholder helpline is only able to provide information contained in this Circular and information relating to Patagonia Gold's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, financial, tax or investment advice. The contents of this Circular should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his/her or its own appropriate professional advisers for advice.

1. What is an open offer?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this particular instance, shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlements in full. The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the Open Offer.

This Open Offer is an invitation by Patagonia Gold to Qualifying Shareholders to apply to acquire up to 230,425,092 Open Offer Shares at a price of 1.5 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or a Restricted Jurisdiction, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 5 Open Offer Shares for every 23 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number. Open Offer Shares are being offered to Qualifying Shareholders at a discount to the share price on 20 April 2016, being the latest practicable date before the date of this Circular. The Issue Price of 1.5 pence per Open Offer Share represents a discount of approximately 8.0 per cent. to the closing middle market price of 1.63 pence per Ordinary Share as derived from the AIM Appendix to the Daily Official List on 20 April 2016, being the latest practicable date before the date of this Circular.

The Excess Application Facility allows Qualifying Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor the Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any New Shares which are the subject of the Subscription.

2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 22 April 2016 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or any Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this Circular. Completed Application Forms should be posted, along with a cheque or banker’s draft drawn in the appropriate form, in the accompanying pre-paid envelope or returned by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by the Receiving Agent by no later than 11.00 a.m. on 9 May 2016, after which time Application Forms will not be valid.

4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) If you do not want to take up your Open Offer Entitlement

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 9 May 2016, the Company has made arrangements under which the Company has agreed to issue the Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility. If you do not take up your Open Offer Entitlement then following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest would be diluted by the issue of New Shares pursuant to the Subscription and Open Offer.

(b) *If you want to take up some but not all of your Open Offer Entitlement*

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes D and F of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 20 shares, then you should write '20' in Boxes D and F. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '20') by 1.5 pence, which is the price of each Open Offer Share (giving you an amount of 30 pence in this example). You should write this amount in Box G, rounding down to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form (ensuring that all joint holders sign (if applicable), together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope or return by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by the Receiving Agent by no later than 11.00 a.m. on 9 May 2016, after which time Application Forms will not be valid. All payments must be in pounds sterling and made by cheque or banker's draft made payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top righthand corner and must be for the full amount payable on application. Third party cheques may be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 5 of Part IV of this Circular). Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you at your own risk by no later than 18 May 2016.

(c) *If you want to take up all of your Open Offer Entitlement*

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the completed Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque or banker's draft for the amount (as indicated in Box C of your Application Form), payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" and crossed "A/C payee only", in the accompanying pre-paid envelope or return by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by the Receiving Agent by no later than 11.00 a.m. on 9 May 2016, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top righthand corner and must be for the full amount

payable on application. Third party cheques may be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 5 of Part IV). Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you at your own risk by no later than 18 May 2016.

(d) *If you want to apply for more than your Open Offer Entitlement*

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. You should write the number of Open Offer Shares comprised in your Open Offer Entitlement (as indicated in Box B of the Application Form) in Box D and write the number of additional Open Offer Shares for which you would like to apply in Box E. You should then add the totals in Boxes D and E and insert the total number of Open Offer Shares for which you would like to apply in Box F. For example, if you have an Open Offer Entitlement for 50 Open Offer Shares but you want to apply for 70 Open Offer Shares in total, then you should write '50' in Box D, '20' in Box E and '70' in Box F. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '70') by 1.5 pence, which is the price of each Open Offer Share (giving you an amount of £1.05 in this example). You should write this amount in Box G, rounding down to the nearest whole pence. You should then return your Application Form (ensuring that all joint holders sign (if applicable) by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by the Receiving Agent by no later than 11.00 a.m. on 9 May 2016. Within the United Kingdom only, you can use the reply-paid envelope which is enclosed with the Application Form. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, such applications 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.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top righthand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 5 of Part IV). Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured

on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you at your own risk by no later than 18 May 2016.

5. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part IV of this Circular. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Open Offer Shares which they are entitled to acquire under their Open Offer Entitlement and (ii) how to apply for Open Offer Shares in excess of their Open Offer Entitlements under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them should they not receive this information.

6. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 20 April 2016 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 22 April 2016 but were not registered as the holders of those shares at the close of business on 20 April 2016; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder helpline on 0370 873 5856 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 370 873 5856 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder helpline will only be able to provide information contained in this Circular and information relating to Patagonia Gold's register of members and will be unable to give advice on the merits of the Open Offer or to provide financial, tax or investment advice.

7. Can I trade my Open Offer Entitlement?

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), the Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it.

8. What if I change my mind?

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied.

9. What if the number of Open Offer Shares to which I am entitled is not a whole number; am I entitled to fractions of Open Offer Shares?

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

10. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold shares in Patagonia Gold directly and you sell some or all of your Existing Ordinary Shares before 22 April 2016, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 22 April 2016, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

11. I hold my Existing Ordinary Shares in certificated form. How do I pay?

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker's draft made payable to "CIS PLC re Patagonia Gold Plc Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) may not be accepted.

12. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in Patagonia Gold will be reduced.

13. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form in the accompanying pre-paid envelope or return by post or by hand (during normal business hours only), together with the monies in the appropriate form, to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to the Receiving Agent, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. If you post your Application Form by first class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

14. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?

The Receiving Agent must receive the Application Form by no later than 11.00 a.m. on 9 May 2016, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

15. How do I transfer my entitlements into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?

It is expected that Computershare Investor Services PLC will post all new share certificates by 18 May 2016.

17. If I buy Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?

If you bought your Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

18. What should I do if I live outside the United Kingdom?

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV of this Circular.

19. Further assistance

Should you require further assistance please call the Shareholder helpline on 0370 873 5856 between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday from within the UK or +44 370 873 5856 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes. Please note that, for legal reasons, the Shareholder helpline is only able to provide information contained in this Circular and information relating to Patagonia Gold's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear in paragraph 2.1 of this Part VI, accept responsibility for the information contained in this Circular, other than: (i) the recommendations set out in paragraph 16.1 of Part I, for which only the Independent Directors accept responsibility; and (ii) information relating to the Concert Party and their immediate families, related trusts and persons connected with them, for which the Concert Party Directors accept responsibility. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Each of the Concert Party Directors accepts responsibility for the information contained in this Circular relating to the members of the Concert Party and their immediate families, related trusts and persons connected with them and does so without prejudice and in addition to the Directors' responsibility statement set out in paragraph 1.1 of this Part VI. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular relating to the Concert Party is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The Directors of Company are:

Carlos J. Miguens	<i>(Non-Executive Chairman)</i>
Christopher van Tienhoven	<i>(Chief Executive Officer)</i>
Gonzalo Tanoira	<i>(Finance Director)</i>
Edward J. Badida	<i>(Senior Independent Non-Executive Director)</i>
Glenn Featherby	<i>(Non-Executive Director)</i>
Manuel de Prado	<i>(Non-Executive Director)</i>

3. Interests and dealings

- 3.1 For the purposes of this paragraph 3 of Part VI:
- (i) "acting in concert" means any such person acting or deemed to be acting in concert as such expression is defined in the Takeover Code;
 - (ii) "arrangement" includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
 - (iii) "associate" means:
 - (a) the parent company (if any), the subsidiaries, fellow subsidiaries and associated companies of the Company or Concert Party, as the case may be, and companies of which any such subsidiaries or associated companies are associated companies;
 - (b) connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
 - (c) the Directors or Concert Party, as the case may be, and the directors of any company covered in (b) above (together in each case with their close relatives and related trusts);
 - (d) the pension funds of the Company or Concert Party, as the case may be, or any person covered in (b) above;
 - (e) an employee benefit trust of the Company or Concert Party, as the case may be, or any company covered in (b) above; and

- (f) a company having a material trading arrangement with the Company or Concert Party.
- (iv) “connected advisers” normally includes only the following (and will not normally include a corporate broker which is unable to act in connection with the Fundraising because of a conflict of interest):
 - (a) in relation to the Company or Concert Party, as the case may be, an organisation which is advising that party in relation to the Fundraising and a corporate broker to that party;
 - (b) in relation to a person who is acting in concert with the Company or Concert Party, as the case may be, an organisation which is advising that person either in relation to the Fundraising, or in relation to the matter which is the reason for that person being a member of the relevant concert party; and
 - (c) in relation to a person who is an associate of the Company or Concert Party, as the case may be, by virtue of paragraph (b) in the definition of “associate” above, an organisation which is advising that person in relation to the Fundraising.
- (v) “control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the Voting Rights (as defined in the City Code) irrespective of whether the holding or aggregate holding gives de facto control;
- (vi) “dealings” or “dealt” includes the following:
 - (a) the acquisition or disposal of securities or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attached to securities, or of general control of securities;
 - (b) the taking, granting acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option, (including a traded option contract) in respect of any securities;
 - (c) subscribing or agreeing to subscribe for securities;
 - (d) the exercise or conversion, whether in respect of new or existing securities, any of any securities carrying conversion or subscription rights;
 - (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
 - (f) the entry into or termination or variation of the terms of any agreement to purchase or sell securities; and
 - (g) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;
- (vii) “derivative” includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (viii) “disclosure date” means close of business on 21 April 2016, being the latest practicable date prior to the publication of this Circular;
- (ix) “disclosure period” means the period commencing on 21 April 2015 (being the date twelve months prior to the disclosure date) and ending on 21 April 2016 (being the latest practicable date prior to the publication of this Circular);
- (x) “interested” in securities includes if a person:
 - (a) owns them;
 - (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of

them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;

- (d) is a party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
 - (e) has long economic exposure, whether absolute or conditional to changes in the price of those securities (but a person who only has a short position in securities is not treated as interested in those securities);
- (xi) “relevant securities” includes:
- (a) shares and any other securities in the Company or Concert Party, as the case may be, conferring voting rights;
 - (b) equity share capital of the Company or Concert Party, as the case may be;
 - (c) any securities convertible into, or rights to subscribe for the securities of the Company or Concert Party, as the case may be, described in paragraphs (b) and (c) above; and
 - (d) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control.
- (xii) “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

Directors of the Company

3.2 At the close of business on the disclosure date, the interests, rights to subscribe and short positions of the Directors (and any person whose interests in Ordinary Shares is taken to be interested in pursuant to Part 22 of the Act and related regulations), all of which are beneficial unless otherwise stated, in Ordinary Shares were as follows:

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>Percentage</i>
Carlos J. Miguens	213,785,822	20.17
Christopher van Tienhoven	3,000	0.0003
Gonzalo Tanoira	11,543,348	1.09
Edward J. Badida	351,352	0.03
Glenn Featherby	3,219,063	0.30
Manuel de Prado	197,635	0.02

Options held over Ordinary Shares:

<i>Name</i>	<i>Date of grant</i>	<i>Exercise price</i>	<i>Ordinary shares</i>	<i>Due from which exercisable</i>	<i>Expiry date</i>
Carlos J. Miguens ⁽¹⁾	23 June 2009	12.25p	4,500,000	23 June 2009	22 June 2019
Carlos J. Miguens ⁽¹⁾	17 June 2010	15.00p	1,100,000	17 June 2010	16 June 2020
Carlos J. Miguens ⁽¹⁾	10 February 2011	11.00p	2,000,000	10 February 2011	9 February 2021
Carlos J. Miguens ⁽¹⁾	13 May 2011	11.00p	900,000	13 May 2011	12 May 2021
Carlos J. Miguens ⁽¹⁾	31 January 2012	11.00p	2,000,000	31 January 2012	30 January 2022
Carlos J. Miguens ⁽¹⁾	9 January 2013	22.75p	9,000,000	9 January 2013	8 January 2023
Carlos J. Miguens ⁽¹⁾	19 September 2013	11.75p	5,000,000	19 September 2013	18 September 2023
Christopher van Tienhoven	31 March 2015	2.50p	10,000,000	31 March 2015	30 March 2025
Gonzalo Tanoira ⁽²⁾	23 June 2009	12.25p	1,719,000	23 June 2009	22 June 2019
Gonzalo Tanoira ⁽²⁾	17 June 2010	15.00p	500,000	17 June 2010	16 June 2020
Gonzalo Tanoira ⁽²⁾	13 May 2011	11.00p	500,000	13 May 2011	12 May 2021
Gonzalo Tanoira ⁽²⁾	9 January 2013	22.75p	1,000,000	9 January 2013	8 January 2023
Edward J. Badida	1 November 2011	11.00p	750,000	1 November 2011	31 October 2021
Manuel de Prado	12 September 2013	11.00p	750,000	12 September 2013	11 September 2023
Glenn Featherby	12 September 2013	11.00p	750,000	12 September 2013	11 September 2023

⁽¹⁾ Options held by Cantomi

⁽²⁾ Options held by Capifox

3.3 The following dealings in Ordinary Shares by the Directors have taken place during the disclosure period:

<i>Name</i>	<i>Date of dealing</i>	<i>Nature of trade</i>	<i>Number of Ordinary Shares</i>	<i>Price paid per share (pence)</i>
Carlos J. Miguens	24 June 2015	Shares issued in lieu of cash remuneration	2,597,865	2.81
Gonzalo Tanoira	24 June 2015	Shares issued in lieu of cash remuneration	1,352,313	2.81
Glenn Featherby	24 June 2015	Shares issued in lieu of cash remuneration	1,067,616	2.81

3.4 As at the close of business on the disclosure date and save as set out in paragraphs 3.2 and 6.1 of this Part VI, and paragraph 5.4 of Part I, neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) or any person deemed to be acting in concert with the Directors of the Company, has an interest in or a right to subscribe for, or had any short position (whether conditional or absolute, and whether in the money or otherwise) in relation to, any relevant securities, nor had any such person dealt in any relevant securities during the disclosure period; and neither the Company nor any of the Directors nor any person acting in concert with the Company or Directors have borrowed or lent any relevant securities.

3.5 Save as disclosed in paragraphs 3.2, 3.3 and 6.1 of this Part VI, and paragraph 5.4 of Part I, there were no arrangements of the kind referred to in Note 11 of the definition of acting in concert in the City Code which existed between the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) or any associate of the Company and any other person, nor have any dealings in relevant securities taken place between such parties during the disclosure period.

3.6 Save as disclosed in paragraph 5.5 of Part I of this Circular, neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities in any corporate member of the Concert Party (or derivatives

referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options), any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in respect thereof.

Concert Party

3.7 As at the close of business on the disclosure date, the members of the Concert Party had the following interests, rights to subscribe and short positions, in relevant securities of the Company:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>
Cantomi Uruguay SA + *	210,529,171	19.86%
Carlos J. Miguens	3,256,651	0.31%
Carlos Miguens Jr.	291,654	0.03%
Maria Luisa Miguens	18,000,000	1.70%
Cinco Vientos Uruguay SA ++	45,897,392	4.33%
Polinter SA	24,339,930	2.30%
Cristina Miguens	24,485,645	2.31%
Gonzalo Tanoira	4,832,191	0.46%
Capifox SA + **	6,711,157	0.63%
Barbara Tanoira	1,324,145	0.12%
Leonor Tanoira	1,324,145	0.12%
Santiago Tanoira	1,324,145	0.12%
Concert Party aggregate total	342,316,226	32.30%

Notes:

+ Cantomi Uruguay SA and Capifox SA are each interested in 24,500,000 and 3,719,000 Options respectively (as detailed in the table set out in paragraph 5.4 of Part I and in paragraph 3.2 of this Part VI of this Circular).

++ Cinco Vientos Uruguay SA is interested in 7,227,237 Warrants (as detailed in the table set out in paragraph 5.4 of Part I of this Circular).

* Carlos J. Miguens is deemed to be beneficially interested in the Ordinary Shares held by Cantomi Uruguay SA and accordingly, his aggregate holding is 213,785,822 Ordinary Shares.

** Gonzalo Tanoira is deemed to be beneficially interested in the Ordinary Shares held by Capifox SA and accordingly, his aggregate holding is 11,543,348 Ordinary Shares.

3.8 The following dealings in Ordinary Shares by the Concert Party have taken place during the disclosure period:

<i>Name</i>	<i>Date of dealing</i>	<i>Nature of trade</i>	<i>Number of Ordinary Shares</i>	<i>Price paid per Ordinary Share (pence)</i>
Carlos Miguens Jnr.	8 July 2015	Acquisition of Ordinary Shares	280,000	2.6

3.9 Save as set out in paragraphs 3.3 and 3.8 of this Part VI, during the disclosure period, there have been no dealings in relevant securities of the Company by any member of the Concert Party (including members of their immediate families, related trusts nor any persons connected with them), any director of the Concert Party nor any person acting or deemed to be acting in concert with them.

3.10 Save as disclosed in paragraphs 3.7 and 6.1 of this Part VI, and paragraph 5.4 of Part I, no member of the Concert Party, nor any director of the Concert Party nor any person acting in concert with any member of the Concert Party had any interest in or right to subscribe for, or had any short position or any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in relation to, any relevant securities, during the disclosure period, nor has borrowed or lent any relevant securities of the Company.

- 3.11 Save as disclosed in paragraphs 3.2, 3.3, 3.8 and 6.1 of this Part VI, and paragraph 5.4 of Part I, no member of the Concert Party nor any director of the Concert Party nor any person deemed to be acting in concert with the Concert Party, has any arrangement of the kind referred to in Note 11 of the definition of acting in concert in the City Code or has dealt in any relevant securities of the Company during the disclosure period.

4. Middle market quotations

Set out below are the closing middle market quotations for the Ordinary Shares, as derived from the Daily Official List, for the first dealing day of each of the six months immediately preceding the date of this Circular and for 20 April 2016 (being the latest practicable date prior to the publication of this Circular):

<i>Date</i>	<i>Price (p)</i>
20 April 2016	1.63
1 April 2016	1.63
1 March 2016	2.50
1 February 2016	2.00
4 January 2016	1.75
1 December 2015	1.50
2 November 2015	2.13

5. Director's service agreements and other arrangements with the Company

The Directors' current service agreements, will be available for inspection as set out in paragraph 8 below and are summarised below. Otherwise than as set out below, there are no other service contracts between the Directors and the Company or any of its subsidiaries and no service contracts have been entered into nor have existing service contracts been amended during the period of six months prior to the date of this Circular.

- 5.1 Gonzalo Tanoira entered into a service agreement with the Company, dated 14 April 2004, for the services provided by Gonzalo Tanoira as Finance Director. The agreement is terminable on six months' written notice by either party. Remuneration for the services provided by Gonzalo Tanoira is a fee of £75,000 per annum. Dependant on his performance during each calendar year, he is entitled to participate, at the discretion of the Board, in any bonus scheme which the Board shall have determined to establish, up to a maximum amount of 40 per cent. of his base salary. Mr. Tanoira is also entitled to participate in a private medical insurance scheme, at the Company's cost, and to receive a contribution of 15 per cent. of his base annual salary into a pension plan.
- 5.2 Christopher van Tienhoven entered into a service agreement with the Company, pursuant to an executive service agreement dated 31 March 2015, for his services as chief executive officer. The agreement is terminable on three months' written notice by either party. The remuneration for the services provided by Mr. van Tienhoven under the agreement is an annual salary of i) US\$120,000 for his services as Chief Executive; and ii) US\$130,000 for his services in Argentina. Subject to achieving his personal targets, together with the Company and Group achieving its corporate targets, he is entitled to participate, at the discretion of the Board, in a bonus scheme where he shall be paid up to 50 per cent. of his total base salary.
- 5.3 Each of Edward J. Badida (pursuant to an appointment letter dated 1 November 2011), Glenn Featherby (pursuant to an appointment letter dated 21 March 2013) and Manuel de Prado (pursuant to an appointment letter dated 21 March 2013) have entered into letters of appointment with the Company for their services as non-executive directors. The agreements are terminable on three months' written notice by either party and each Director is entitled to receive fees in respect of his appointment as follows:
- (i) Edward J. Badida is entitled to fees of £40,000 per annum, (including £30,000 per annum for his position as a non-executive Director and £10,000 per annum for his position as chairman of the audit committee); and

- (ii) Glenn Featherby and Manuel de Prado are entitled to fees of £30,000 per annum.
- 5.4 In the event of termination of their appointment (other than where the individual has been summarily dismissed or where such termination is pursuant to a takeover offer or compromise or winding up arrangement which has been sanctioned by the court), Gonzalo Tanoira is entitled to a payment of £30,000 and Edward J. Badida is entitled to a payment of £10,000, each such payment being in full and final settlement of any claims which they may have.
- 5.5 Carlos J. Miguens was appointed to the Board on 19 December 2003. As at 21 April 2016 (being the latest practicable date prior to the publication of this Circular), no letter of appointment had been entered into between the Company and Carlos J. Miguens in relation to his appointment.

6. Material contracts

- 6.1 Details of the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company during the period commencing on 21 April 2014 (being the date two years prior to the publication of this Circular) and ending on 21 April 2016 (being the latest practicable date prior to the publication of this Circular):
 - (i) various agreements entered into in relation to the 2014 Fundraising, including:
 - (a) irrevocable undertakings from each of the members of the Concert Party dated on or around 17 November 2014, (i) in the case of Cantomi, Capifox and Cinco Vientos, undertaking to apply for open offer shares as part of the 2014 Fundraising, and (ii) in the case of all other members of the Concert Party who held Existing Ordinary Shares, undertaking not to apply for any open offer shares as part of the 2014 Fundraising; and
 - (b) various subscription letters dated on or around 13 November 2014 between certain investors (including Cantomi) and the Company;
 - (ii) The Relationship Agreement, a full summary of the terms of which is provided at paragraph 10 of Part I of this Circular;
 - (iii) an option agreement between the Company and Trilogy dated 30 January 2016, whereby the Company was granted the option to acquire up to 100 per cent of Carreta Quemada and Chamizo advance exploration gold projects in Uruguay. Pursuant to the terms of the agreement, the Company may acquire a 51 per cent. interest in the projects (forming the subject matter of the option agreement), in exchange for providing US\$1.5 million to fund project expenditure (the “Phase I Option”). Upon providing an additional US\$2.00 million, the Company may exercise its option to increase its interest to 80 per cent. (the “Phase II Option”). Subject to the satisfaction of further conditions provided in the agreement, Trilogy may exercise a put option, whereby which the Company shall be required to purchase the remaining 20 per cent. interest in the projects;
 - (iv) irrevocable undertakings from each of the members of the Concert Party dated on or around 19 April 2016, (i) in the case of Carlos J. Miguens, undertaking to apply under the Open Offer for 707,967 Open Offer Shares comprising his full Open Offer Entitlement, (ii) in the case of Cantomi, undertaking to apply under the Open Offer for an aggregate of 229,717,125 Open Offer Shares comprising its full Open Offer Entitlement of 45,767,211 Open Offer Shares, and a further 183,949,914 Open Offer Shares under the Excess Application Facility, and (iii) in the case of all other members of the Concert Party who hold Existing Ordinary Shares, undertaking not to apply for any Open Offer Shares under the Open Offer; and
 - (v) a subscription letter dated on or around 21 April 2016 between Cantomi and the Company, pursuant to which Cantomi has irrevocably agreed, conditional, *inter alia*, upon the passing of the Resolutions and Admission of the Subscription Shares, to subscribe in aggregate for 232,537,870 Subscription Shares at the Issue Price.
- 6.2 Other than as disclosed in this paragraph 6, no contracts have been entered into by the Company or any of its subsidiaries, other than in the ordinary course of business, within two years prior to the publication of this Circular which are or may be material.

7. General

- 7.1 Strand Hanson has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which they appear.
- 7.2 Save as disclosed at paragraph 5.5 of Part I (in respect of the personal relationships between the members of the Concert Party), there is no agreement, arrangement, or understanding (including any compensation arrangement) between the members of the Concert Party and any person acting in concert with any of them and any of the Directors (or their close relatives and related trusts), recent directors of the Company, Shareholders or recent Shareholders of the Company, or any person interested or recently interested in the Ordinary Shares, having any connection with or dependence upon the proposals set out in this Circular.
- 7.3 There is a commercial relationship between Strand Hanson and the Concert Party, but only to the extent that members of the Concert Party are Directors of the Company, a corporate client of Strand Hanson. Save for this commercial relationship, there is no relationship (personal, financial or commercial), arrangement or understanding between members of the Concert Party and Strand Hanson or any person who is, or is presumed to be, acting in concert with Strand Hanson.
- 7.4 No agreement, arrangement or understanding exists whereby the Ordinary Shares which may be acquired by the Concert Party pursuant to its participation in the Subscription or the Open Offer or any exercise of Options or Warrants will be transferred to any other person.
- 7.5 Save as disclosed at paragraph 5.5 of Part I (in respect of the personal relationships between the members of the Concert Party), there are no relationships, arrangements or understandings between the Concert Party and (i) any of the Directors (or their close relatives or related trusts) and (ii) any Shareholder or any person who is, or is presumed to be, acting in concert with any Shareholder.
- 7.6 There have been no significant changes in the financial or trading position of the Company since 31 December 2016, being the date to which its most recent annual financial statements were made up.

8. Documents available for inspection

- 8.1 Copies of the following documents will be available for inspection at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) up to and including 10 May 2016 and at the General Meeting to be held on that day, and also on the Company's website at <http://ir.patagoniagold.com/>:
- (i) the Circular;
 - (ii) the Articles of Association of the Company;
 - (iii) the consolidated audited accounts for the Company for the financial year ended 31 December 2014;
 - (iv) the consolidated audited accounts for the Company for the financial year ended 31 December 2015;
 - (v) the Directors' service agreements and letters of appointments referred to in paragraph 5 of this Part VI;
 - (vi) the material contracts referred to in paragraph 6 of this Part VI; and
 - (vii) the consent letter from Strand Hanson referred to in paragraph 7 of this Part VI.

NOTICE OF GENERAL MEETING

Patagonia Gold Plc

(incorporated in England and Wales with registered number 3994744)

Notice is hereby given that a General Meeting of the Company will be held at 11.30 a.m., on 10 May 2016 (or, if later, immediately following the annual general meeting of the Company, convened on the same day) at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH to consider and, if thought fit, pass the following resolutions which in the case of resolutions 1 and 2 will be proposed as ordinary resolutions and the case of resolution 3 will be proposed as a special resolution. Resolution 1 will be taken on a poll in accordance with the requirements of the Panel. Only the Independent Shareholders, as described in the Circular, are entitled to vote on Resolution 1.

ORDINARY RESOLUTIONS

1. **THAT** the grant of the waiver by the Panel on Takeovers and Mergers described in the Circular of any requirement under Rule 9 of the City Code on Takeovers and Mergers on the members of the Concert Party (defined and described in the circular to shareholders issued by the Company dated 22 April 2016, containing this Notice of General Meeting (the “Circular”)) to make a general offer to the shareholders of the Company as a result of the participation of any member of the Concert Party in the Subscription and the Open Offer (as defined in the Circular) be and is hereby approved.
2. **THAT**, in substitution for any existing authority, the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the “Act”) to exercise all powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any equity securities (within the meaning of Section 560 of the Act) into shares in the Company subject to the following conditions:
 - (a) the maximum aggregate nominal amount of shares to be allotted in connection with the Subscription and the Open Offer (as defined in the Circular) shall be £4,629,629.62; and
 - (b) otherwise than pursuant to paragraph (a) above, the maximum aggregate nominal amount of shares to be allotted shall be £5,076,394.63,

PROVIDED that this authority shall expire on the earlier of 30 June 2017 or the conclusion of the Company’s next annual general meeting unless revoked, varied or renewed before such date save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry and the Directors may allot shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares and grant rights to subscribe for or convert any securities into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTION

3. **THAT**, subject to and conditional upon the passing of Resolution 2 above and in substitution for any existing authority, the Directors be and are hereby generally and unconditionally empowered pursuant to Section 570 of the Act to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the general authority conferred by Resolution 2 above as if Section 561(1) of the Act did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities in respect of:

- (a) the allotment of equity securities for cash in connection with an offer of, or invitation to apply for, equity securities (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and (ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary; and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;
- (b) the allotment of equity securities in connection with the Subscription pursuant to the authority conferred by Resolution 2 (a) above up to a maximum nominal amount of £2,325,378.70; and
- (c) the allotment (otherwise than pursuant to paragraphs (a) and (b) above) of equity securities up to a maximum aggregate nominal amount of £1,522,918.39,

PROVIDED that this authority shall expire on the earlier of 30 June 2017 or the conclusion of the Company's next annual general meeting unless revoked, varied or renewed before such date save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares and grant rights to subscribe for or convert any securities into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Dated: 22 April 2016

Registered Office:
1 Finsbury Circus
London EC2M 7SH

By Order of the Board
Nigel Everest
Company Secretary

Notes:

1. In order to comply with the City Code on Takeovers and Mergers, Resolution 1 will be taken on a poll and the Concert Party (as defined in the Circular) will not participate.
2. Shareholders entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote in their place. A proxy need not be a shareholder of the Company.
3. Shareholders may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. Shareholders may not appoint more than one proxy to exercise rights attached to any one share. Shareholders should contact the Company's Registrars, Computershare Investor Services PLC, if they wish to appoint more than one proxy or they should photocopy the Form of Proxy.
4. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on the resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the votes "For" and "Against" such resolution.
5. A Form of Proxy is enclosed with this Circular, and members who wish to use it should see that it is deposited, duly completed, with the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH by no later than 48 hours before the time fixed for the meeting (or any adjournment thereof) weekends and bank holidays excluded. Completing and posting of the Form of Proxy will not preclude the appointing shareholder from attending and voting in person at the General Meeting should they wish to do so.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 20 April 2016 shall be entitled to attend or vote at the aforesaid meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on 20 April 2016 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST personal members, sponsored CREST members and CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action for them.

To complete a valid proxy appointment or instruction using the CREST service, the CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted and received by Computershare Investor Services PLC (Participant ID 3RA50) by no later than 48 hours before the time fixed for the meeting (or any adjournment thereof) weekends and bank holidays excluded. The time of receipt of the instruction will be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to ensure that his CREST sponsor or voting service provider(s) take(s) the necessary action to ensure that a message is transmitted by means of the CREST system by a particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid as set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. As at 6.00 p.m. on the date immediately prior to this notice, the Company's issued share capital comprised 1,059,955,427 ordinary shares. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at 6.00 p.m. on the date immediately prior to this notice is 1,059,955,427.

