

## Company Update and COVID-19 Response

### HIGHLIGHTS

- Shareholder ratification and approval granted for completion of the recent ~\$2.5M Placement and SPP
- Tranche 1 and Tranche 2 places to receive an Additional Placement Option
- Negotiations advancing for a \$2M Strategic Partnership Agreement for supply of IP survey and drilling services, including purchase of a company-owned diamond drill rig to accelerate drilling activity, and reduce exploration costs
- Sale facility for less than marketable parcels deferred
- Operating and overhead cost cutting measures implemented

**Los Cerros Limited (ASX: LCL) (Los Cerros or the Company)** is pleased to provide an update in relation to its recent capital raising, as well as inform the market of a Strategic Partnership Agreement currently under negotiation, and outline its response to the current COVID-19 pandemic.

### Capital Raising

On 5 February 2020, the Company announced a capital raising (**Placement**) at 4 cents per share. On 7 February 2020 the Company announced a Share Purchase Plan (**SPP**) at 4 cents per share. Both the Placement and the SPP included the issue of one option for every two shares subscribed exercisable at 10 cents. Resolutions related to the Placement and SPP were passed at a Shareholders' General Meeting 30 March 2020.

The Placement will raise up to \$2.125 million in aggregate before costs. Tranche 1 has already completed and raised approximately \$997,500 before costs.

The Company has received binding commitments to raise \$1.127 million under Tranche 2, including \$125,000 from Directors of the Company. To date the Company has received over \$600,000 in funds under Tranche 2 notwithstanding challenging market conditions. The balance of the Tranche 2 Placement is expected to conclude shortly.

The Company acknowledges the rapid and unexpected deterioration in global equity markets, due largely to the COVID-19 pandemic, and the resultant negative impact this has had on the Los Cerros share price. To assist in the completion of the Tranche 2 placement, the Board has resolved to issue an additional unquoted option to all Placement participants for every two shares subscribed in the Placement. The issue of up to 26,562,500 options will have an exercise price of \$0.02 each and expiry date of two years from the date of issue (**Additional Placement Options**) providing the Company with \$531,250 if all the Additional Placement Options are exercised

The issue of up to 25,000,000 of Additional Placement Options will be issued from the Company's ASX Listing Rule 7.1 capacity, and will be issued to participants in both Tranche 1 and Tranche 2 of the Placement as a sign of goodwill from the Company, and sincere gratitude to these investors for

providing the capital during a very difficult time in the financial markets. The funds raised will allow the Company to continue to move forward with its plans.

The balance of the Additional Placement Options, being the Additional Placement Options to be issued to directors who subscribed under the Placement, will be subject to a future shareholder approval.

The Company also raised \$352,000 from the SPP that closed on 27 February 2020 on the same terms as the Placement. The Company is investigating how to extend a similar benefit provided to the Placement participants to the SPP participants.

### Strategic Partnership Negotiations

The Company is pleased to advise it is in advanced stages of negotiating a Strategic Partnership Agreement for the provision of IP survey services, drilling services, drilling equipment, personnel and consumables (**Strategic Partnership Agreement or SPA**) with Hong Kong Ausino Investment Limited (**Ausino**). Under the SPA Ausino will provide equipment and services to the Company. Final terms are currently being negotiated and investors are cautioned that there is no guarantee that terms will successfully be concluded.

Ausino is a company controlled by Dr Minlu Fu, who is a significant participant in the recent Placement. Upon completion of the Placement, Dr Fu is expected to be one of Los Cerro's largest shareholders, with an interest of approximately 10.3%.

The key driver for seeking the SPA is to assist the company in driving down its in-country exploration costs, and to improve efficiencies.

The Company will keep the market informed as these negotiations progress.

### Los Cerros' Managing Director Jason Stribinskis commented;

*"We thank our shareholders who have supported this placement and welcome new investors to our register, in particular our new cornerstone investor Dr Minlu Fu.*

*Dr Fu's geological and geophysical expertise will be invaluable to Los Cerros as we seek to improve our drill targeting to vector in on potentially large-scale mineralised gold-copper systems at Chuscal and Tesorito.*

*This is a great show of faith in the potential of our exploration prospects, and we look forward to building a long-term and mutually beneficial relationship with Dr Fu and his services company which is expected to help drive significant efficiencies in our future drilling programmes in Colombia".*

### About Dr Minlu Fu

Dr Fu is a highly accomplished geologist who received his PhD from La Trobe University in 1989. From 1987 to 2000, Dr Fu worked for Western Mining Corporation in Australia and China as a research geologist, senior research geologist, and exploration manager. He is associated with the discovery of Tampakan copper gold deposit (Philippines), the Ernest Henry copper-gold deposit (Queensland), and the West Musgrave nickel deposit (South Australia). In recent years Dr Fu has also been instrumental in the discovery of the Jinxi-Yelmand epithermal gold deposit; Huangtupo VMS copper-zinc-gold-silver deposit; the Jinhe copper-gold deposit; the South copper-gold deposit; and the Huangtan volcanogenic gold deposit, all of which are located in Xinjiang, PRC.

## Reduction in Corporate Overheads & COVID-19 Response

The uncertain economic climate arising from the spread of COVID-19 has led Los Cerros to implement a series of measures aimed at protecting the health and safety of our people, contractors and the communities in which we operate, whilst ensuring the operational and financial integrity of our business. These measures have included: eliminating non-essential travel (international and domestic); encouraging our people to work remotely where possible; and a reduction in discretionary expenditure.

The Company is fortunate to have recently completed its significant drilling and other field activities, which has meant the impact on Los Cerros' business to date has been modest. While fieldwork is on hold, Los Cerros' geological team remain active in planning the next phases of exploration at the Chuscal, Tesorito and Miraflores project areas. The Company intends to be drilling early in the second half of 2020, subject to the progress of the COVID-19 pandemic.

The Company has undertaken a review of all expenditure and, where possible, taken immediate action to reduce overheads to preserve cash, and ensure the Company is well placed to continue with its activities once confidence is restored in the global financial markets.

Mr Stirbinskis added *"These are extremely challenging times. The Company has recently raised funds which de-risks our immediate future and, in addition, I would like to thank our major suppliers and the entire LCL team for making and finding savings to reduce our monthly expenditure and to focus on immediate, essential and value adding activity."*

The Company's primary concern is to ensure the health and safety of its people, and we will continue to monitor the COVID-19 situation carefully.

## Delay to Less Than Marketable Parcel Sale Facility

The Company has decided to delay the implementation of its less than marketable parcel sale facility.

Los Cerros currently has some 1,822 shareholders of which approximately 1,361 shareholders hold less than a marketable parcel of shares as defined in the ASX Listing Rules (i.e. below a market value of \$500) based on the last closing share price of \$0.024 on 1 April 2020 (LTM Parcel).

The administrative costs which apply, regardless of the size of a shareholding, result in a disproportionately high cost associated with LTM Parcels on the register. The Company is highly focused on maximising the funding available to be invested into exploration and is therefore seeking to reduce corporate costs. However, due to the current weakness in equity markets, the Company has decided to not proceed with the LTM at this time.

For the purpose of ASX Listing Rule 15.5, the Board has authorised for this announcement to be released.

### **For further enquiries contact:**

**Jason Stirbinskis**  
Managing Director  
Los Cerros Limited

[jstirbinskis@metminco.com.aum](mailto:jstirbinskis@metminco.com.aum)

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