

\$2M Strategic Partnership to accelerate exploration activity as Covid-19 restrictions lifted.

HIGHLIGHTS

- Los Cerros signs \$2M Strategic Partnership Agreement with Hongkong Ausino for supply of IP survey and drilling services
- Los Cerros will acquire its own diamond drill rig and IP equipment
- Los Cerros can elect whether to pay costs in shares or cash
- The Strategic Partnership aims to accelerate drilling activity and reduce costs and cash expenditure
- Colombian Covid-19 related restrictions lifted to allow a return to exploration activity

Services Agreement

Los Cerros Limited (ASX: LCL) (Los Cerros or the Company) is pleased to advise that it has executed 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**). Key elements of the SPA include:

- Subject to a 6-month trial period Ausino will provide equipment and services over an approximately 18-month period to the value of up to \$2 million
- Ausino will provide a new, fit for purpose, diamond core drill rig, drill rods, other consumables and extended after sale support in the form of expert senior drillers on site to build the Company's internal capabilities
- Ausino will provide 2 sets of specialist Induced Polarisation (**IP**) equipment and a specialist Geophysics team to conduct IP surveys over targets within the Company's portfolio
- The Company has the discretion of whether to pay Ausino in cash or in shares, with payments to be made incrementally in conjunction with a purchase order using a 20-day VWAP based on the day that the Company issues the purchase order.

The agreement includes a 6-month trial period so both parties can test the concept of the agreement and the operating detail. The agreement will commence upon the Company placing the initial purchase order.

The Company will assess prior to making each purchase order whether the order will be satisfied by way of share issue or cash, and whether such an issue will be made subject to shareholder approval or out of its placement capacity under ASX Listing Rule 7.1.

There is no obligation on the Company to issue shares under the SPA, however, subject to shareholder approval, the Company will issue Ausino up to 12 million options if Ausino satisfies minimum performance obligations under the SPA. The options will be exercisable at either \$0.04 or \$0.07 depending whether Ausino completes 10,000 metres of drilling during the term. Up to a further 3

million options may be issued to Ausino on the same terms, subject to Ausino outperformance and shareholder approval.

The key driver for seeking the SPA is to assist the Company in driving down its in-country exploration costs, maintain cash, improve efficiencies and facilitate significant drilling and IP programs over the Company's ~100kHa holding in the prolific mid-Cauca gold belt of Colombia.

Los Cerros' Managing Director Jason Stirbinskis commented;

"We see this strategic partnership and bringing more exploration capability in-house giving Los Cerros a significant long term advantage as well as giving us flexibility to navigate the immediate Covid-19 induced pressures that junior explorers are facing, and many will continue to face, as markets exit global restrictions and return to a form of normalcy.

Ausino's willingness to accept shares at no discount to VWAP for capital items and services provided will allow us to conduct significant exploration programs without the commensurate hit to cash reserves".

Ausino is a company controlled by Dr Minlu Fu, who is a significant participant in the recent Placement (see ASX release dated 3 April 2020). 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 PRC 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 and the South copper-gold deposit; and the Huangtan volcanogenic gold deposit, all of which are located in Xinjiang, PRC.

Under the structure of the SPA, the company is currently building its first purchase order for long lead time items while the technical team prepare for an IP Survey over the priority Tesorito and Chuscal targets. The IP program results are the last critical input before finalising the next drill program. The Company intends to be drilling early in the second half of 2020, under the SPA and subject to the progress of the Covid-19 pandemic and usual regulatory permits.

Longer term, Los Cerros has aspirations to extend the IP program over other targets within the Quinchia Project and within the ~90kHa of the Andes Project where the Company has identified many compelling targets through extensive surface sampling and mapping.

Jason Stirbinskis added

"Given Dr Fu's expertise and track record of success, his direct participation and participation via Ausino 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. Having in-house drilling capability will allow us to fast track any subsequent Resource drill out and / or efficiently drill test some of the great number of targets in our portfolio."

Covid-19 field work restrictions lifted

Los Cerros is also pleased to advise that the Colombian Ministry of Mines and Energy has announced that mineral exploration work may now resume in Colombia, subject to the Company

complying with certain national health authority guidelines pertaining to the management and mitigation of the Covid-19 pandemic.

For Los Cerros, the immediate action is for the geologists to return to Tesorito to complete field work related to understanding the regional structure and the possibility of extensions of the Tesorito mineralised porphyry to the north and north east. Field crews will also resume ground preparation for the IP surveys across Chuscal and Tesorito.

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

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